

VULAMEHLO MUNICIPALITY



**ANNUAL
REPORT
2010**

VISION

By 2025 Vulamehlo will be self sustainable and economically viable through agriculture, tourism and the establishment of a vibrant town.

MISSION STATEMENT

The purpose of Vulamehlo is to facilitate and co-ordinate the provision of sustainable infrastructure and services thereby creating an enabling environment that allows the active involvement of the broader community in order to improve the quality of life of all Vulamehlo residents.

VALUES

The Vulamehlo Municipality seeks to uphold and promote the values of responsiveness, transparency, accountability, innovation, consultation and service excellence.

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Chapter One

INTRODUCTION AND OVERVIEW

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Foreword by Her Worship the Mayor Cllr B. R. Duma

It is with great pleasure that I present the Municipality's Annual Report for the 2009/2010 financial year.

We have yet again achieved an unqualified audit report. We are proud in that we have achieved an unqualified audit report in every year since our incorporation as a municipality.

Herewith the list of major achievements of our municipality for the 2009/2010 financial year:

- The municipality won the award for best performing municipality in Housing Delivery –became 2nd in the province
- We launched HIV/Aids Council for the municipality.
- We have functional Ward Committees – to encourage and entrench democracy to our communities.
- Our municipality developed programmes to assist our youth in acquiring skills by providing learnerships in construction and office management. We also helped our youth with financial assistance to register for tuition in tertiary institution and also to obtain driver's licences.

We foster good working relationship with our stakeholders e.g. Sector Departments, NGOs and Amakhosi and we have a good working relationship between politicians and

administration, a contributing factor to a healthy working environment and a successful municipality.

I would like to sincerely thank the Municipal Manager and his staff and also the Executive Committee and my fellow councillors for the prudent manner in which the Municipality is being managed. I am certain that with their help, we can make a difference and bring about a better life for all.

Cllr B R Duma
Her Worship
The Mayor



Municipal Manager's Report

It is with great pleasure that I present this report to the Municipal Council and to the entire Vulamehlo community. The report reflects the municipal performance under the 2009/2010 financial year.

Firstly, and foremost, we have achieved an unqualified audit opinion. This gives me and my team a lot of pleasure as it confirms that our municipality is being run properly.

During the year we have acquired a new IT ERP System (SAP). We are of the opinion that this resource will equip us to enhance our administration and accounting responsibilities.

On the LED front we have assisted in the development of SMMEs by the provision of Training to Co-operatives and assisting in their registering with the relevant departments and stakeholders.

During the year a high collection rate was achieved despite being in the first year to collect rates (approximately 80%). We are hoping to increase that percentage notwithstanding the difficulties surrounding billing and collection of rates in the municipality.

Service delivery still a major challenge within our municipality but despite the odds we have managed to spend 100% on our Municipal Infrastructure Grant (MIG), on maintenance of our access roads, provision for potable water and provision for Low-Cost Housing amongst other things.

I gratefully acknowledge our Audit Committee and the shared internal audit service for contributing to attainment of unqualified Audit Opinion.

In conclusion, I would like to thank the entire leadership for their guidance and support and colleagues for their hard work during all these years and we look forward to another rewarding year.

Thank you

Mr M H Zulu
Municipal Manager

VULAMEHLO MUNICIPALITY

REPORT OF THE AUDIT COMMITTEE



We are pleased to present our report for the financial year ended 30 June 2010.

1 Audit Committee Members and Attendance

In terms of the Municipal Finance Management Act (MFMA) and the Vulamehlo Municipality's Audit Charter, the Audit Committee must consist of five members, three of whom must be external independent members. None of the members may be councillors.

The Audit Committee consists of the members listed hereunder and meets at least four times per year as per its approved Charter. During the year under review the mandatory quarterly meetings and three special meetings were held.

Member	Number of Meetings attended
Mr Anil Ramnath (Chairperson) ^A	7/7
Mr David Parry ^A	7/7
Mr Silas Hlophe ^A	4/7
Mr MH Zulu ^B	3/7
Mr HA Mahomed ^C	7/7

^A External member

^B Municipal Manager

^C Chief Financial Officer

2 Audit Committee's Responsibilities

The Audit Committee's responsibilities are outlined in Section 166(2)(b) of the Municipal Finance Management Act (No 56 of 2003). The Audit Committee has adopted appropriate formal Terms of Reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.



A summary of the Audit Committee's responsibilities in terms of the foregoing Act and its Charter is that it is responsible for, among other things, the following:



Auditors and external audit:







Discuss and review with external auditors, *inter alia*,

- the nature and scope of the audit function;
- agreeing to the timing and nature of reports from the external auditors;
- considering any problems identified in the municipality as a going concern;

-  review the Auditor-General's management letter and management response; and
-  meeting the Auditor-General at least annually to ensure that there are no unresolved issues of concern.






Annual Financial Statements

-  review and discuss the unaudited annual financial statements with the Accounting Officer prior to presentation of the foregoing financial statements for audit together with recommendations, if any, regarding amendments to the said statements;
-  review and discuss with the Auditor-General and the Accounting Officer, the audited annual financial statements to be included in the Annual Report;
-  review significant adjustments resulting from the audit;
-  review effectiveness of the internal audit;
-  review risk areas of the operations to be covered in the scope of the internal and external audits; and
-  review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information.



Internal Control and Internal Audit




The monitoring and supervising of the effective function of the internal audit including;

-  evaluating performance, independence and effectiveness of internal audit and external service providers through internal audit;
-  review the effectiveness of the internal controls and to consider the most appropriate system for the effective operation of its business;
-  initiating investigations within its scope e.g. employee fraud, misconduct or conflict of interest.







Ethics

Reviewing the effectiveness of mechanisms for the identification and reporting of:

-  any material violations of ethical conduct of councillors and municipal staff;
-  compliance with laws and regulations; and
-  environmental and social issues.



Compliance

-  carrying out investigations into financial affairs as Council may request;
-  reviewing the effectiveness of mechanisms for the identification and reporting of:
 -  compliance with laws and regulations; and
 -  the findings of regulatory bodies or audit observations.

The Audit Committee is satisfied that, it has complied with its responsibilities and has discharged them properly and efficiently.

3 The Effectiveness of Internal Controls

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit

provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.






From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, the matters of emphasis and management letter of the Auditor-General, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was effective. The Audit Committee is satisfied with the internal controls in place and overall adherence to those controls.

4 The Quality In Year Management And Monthly/Quarterly Report Submitted In Terms Of The MFMA

The Audit Committee received and reviewed certain performance management reports and is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and management during the year under review.

5 Internal Audit Function

During the year under review, an audit plan was prepared based on the Annual Risk Assessment. The following is a list of projects undertaken by Internal Audit, arising from the risk assessment:

-  Revenue Management review
-  Project and Contract Management review
-  Compliance review: Municipal Finance Management Act, No.56 of 2003 and the Municipal Systems Act 32 of 2000
-  Follow Up reviews (Asset Management, Payroll, Procure to Pay, Registry and Auxiliary)
-  Bi-annual reviews of the Performance Management System




All reports and assignments are followed up by Internal Audit and the Audit Committee to ensure that management actions have been implemented. This action is necessary to ensure that management does not temporise Audit Committee and Council.

Further, assignments of the past four years will be compared and management will be accountable where no progress in reducing risk was made with repeat assignments, especially where, in the opinion of the Audit Committee, the audit risk remained high and could have been reduced.

The Audit Committee is satisfied with the performance of the Internal Audit Function and reports that all the projects have been completed by the end of the financial year.

6 Evaluation of Financial Statements

The Audit Committee has:

-  reviewed and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the Annual Report;
-  reviewed the Auditor-General's management letter and management responses;
-  reviewed the accounting policies and practices;

- 👤 reviewed significant adjustments resulting from the audit;
- 👤 evaluated the audited annual financial statements to be included in the Annual Report and, based on the information provided to the Audit Committee, considered that the said statements comply in all material respects with the requirements of the MFMA and Treasury Regulations as well as South African Statements of Generally Accepted Accounting Practice (GAAP) and certain statements of Generally Recognised Accounting Practice (GRAP) and statements of Generally Accepted Municipal Accounting Practice (GAMAP); and

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

The Audit Committee also notes the Emphasis of Matters: Irregular Expenditure - Proper tender processes had not been followed - R10.2m.

The Audit Committee also notes the Auditor General's remarks under the headings "Report on Other Legal and Regulatory Requirements", "Internal Control" and "Investigation".

7 Appreciation

I would like to thank my colleagues for making themselves available to serve on this Committee and for the significant contributions that they have made.

As an Audit Committee, we rely to a great extent on the Ugu District Municipality's Manager: Internal Audit – Shared Services and his staff in the Internal Audit Department for their support and assistance and, in particular, for the role they continue to play in improving the accounting and internal auditing systems and controls at Vulamehlo Municipality. We are indebted to them for their cooperation and assistance.

We are also grateful to the Chief Financial Officer, the Auditor-General, and all other invitees to our meetings, including the external service providers, all of whom provided invaluable information to the Committee.

Mr Anil Ramnath

Chairperson: Vulamehlo Municipality Audit Committee

10 January 2011

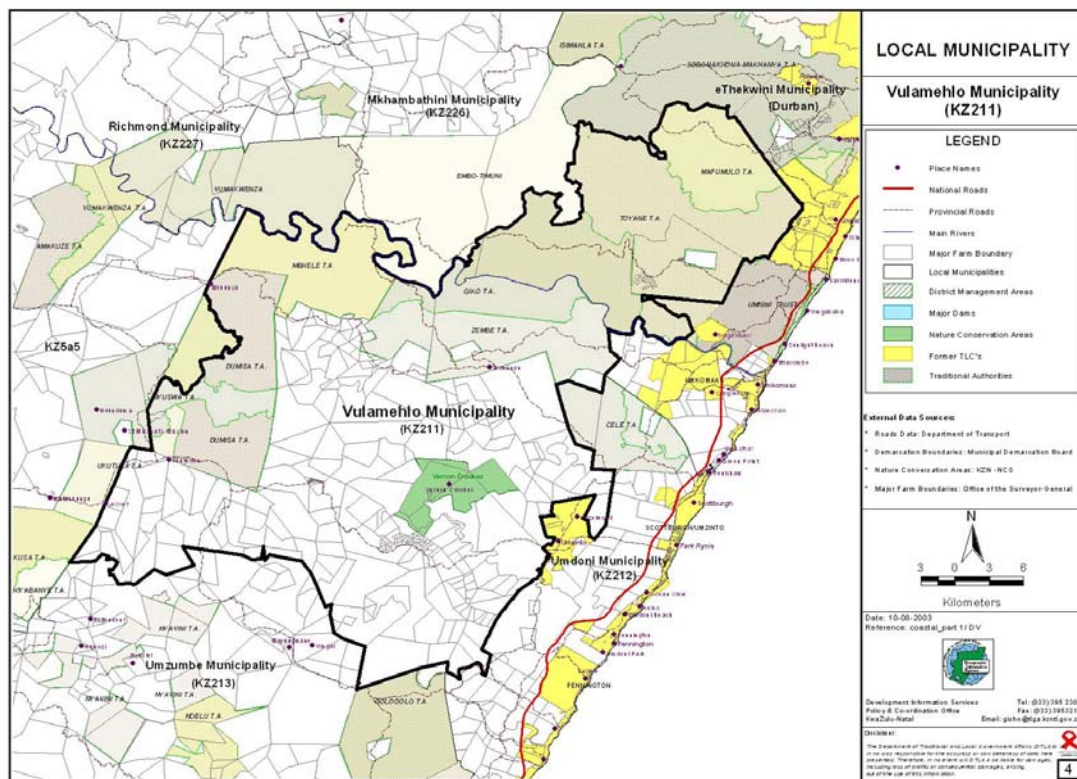
Overview of the municipality

1. Introduction

Vulamehlo (KZ211) is a Local Municipality which forms part of the Ugu District Municipality (DC21). Its neighbouring municipalities include Umzumbe to the south, Umdoni to the East, Ethekewini, Mkhambathini and Richmond to the North and Ubuhlebezwe to the West.

The Municipality largely comprises of traditional areas and a few pockets of privately owned land (mostly Commercial Farms). The Municipality is predominantly rural with 50% of its area being held under Communal Ownership through Ingonyama Trust Board.

There are, however, three traditional authorities which form part of Umbumbulu Regional authority namely Thoyana, Maphumulo and Isimahla. The municipal area is therefore predominantly tribal with common tribal land patterns. There are, however, also a few scattered pockets of privately owned land throughout the municipal area.



2. Demographics

Below is the structure that shows the demographics within Vulamehlo Municipality

Municipal Demarcation Board Code: KZ211

Location of Head Office: Scottburgh is 50 km southwest of Durban (N2)

Municipal Area (km²): 973.49 km²

Population (estimated): 87 032

Contributes To: Ugu District Municipality

Main Towns: Braemar, Dududu, Mfume

Traditional Living

Vulamehlo means "open your eyes".

Location

Vulamehlo Local Municipality forms part of Ugu District Municipality. Towns within the municipal boundaries: Braemar, Dududu, Mfume.

Vulamehlo Municipality largely comprises of traditional areas which are more or less in line with the Vulamehlo Regional Authority (Regional structure for traditional leaders). There are, however, three traditional authorities that form part of Umbumbulu Regional authority namely Thoyana, Maphumulo and Isimahla. Neighbouring municipalities include Umzumbe to the south, Umdoni to the east, Durban Unicity and Emkhambathini to the north and Ixopo to the west.

The Municipal area is therefore predominantly tribal with common tribal land patterns. There are, however, also a few scattered pockets of privately owned land throughout the Municipal area.

Situation

The unemployment level in the Municipality is high. The educational and skills levels of the inhabitants are low, those who have jobs are usually poorly paid. Vulamehlo is regarded as a base for cheap labour by employers outside the Municipality, so many job seekers become migrant labourers.

Poverty in the rural areas is severe. Sixty-three percent of households in the Municipality have a monthly income of less than R1 500 a month, while a further 17.6% have no income at all, meaning that more than 80% live below the poverty datum line. The provision of basic infrastructure is very poor in most of Vulamehlo. The areas deep inland and furthest from the coast (and also furthest from major traffic routes) are most affected by lack of physical and social services.

Vulamehlo Municipality has identified a number of priority issues which it hopes to address within the next three to five years. Most of these relate to the developmental inequalities created in the past. The issues are: the provision of basic services, social amenities and basic infrastructure; and local economic development.

Economy

Economic activities include taxi operations, general dealerships, taverns and spaza shops.

Agriculture

The area contains commercial farms on which sugarcane and timber are cultivated. Small-scale sugar-cane growers tend to cluster around Dududu, Kenterton and Mfume.

Strategies to support agricultural growth include diversifying agricultural production; promoting intensive irrigation schemes; supporting emerging farmers; and assisting in the establishment of community gardens.

Tourism

The coastal strip forms part of the KwaZulu-Natal South Coast which is a popular domestic tourist destination. Nearby, Scottburgh and Pennington both offer resort facilities, and are affluent in comparison with the underdeveloped rural areas of Vulamehlo.

Tourism development projects include the development of a market for traditional rural arts and crafts, and of "traditional rural lifestyle cultural tours. A further aim is establish diverse initiatives through four anchor projects at Tshehlope, the Isintu Cultural Village, and community involvement in operating Vernon Crookes Nature Reserve.

A short distance from Dududu, standing sentry over the expansive Umkomaas Valley, is the imposing Execution Rock, a distinctive natural feature shrouded in myth and legend. A climb to the plateau is rewarded with spectacular views into the Umkomaas valley and an opportunity to spare a thought for the Zulu warriors who were said to be despatched from the rock promontory for errant behaviour

Historical and Other Places of Interest

- Vernon Crookes Nature Reserve
- Enqushini waterfall
- Scenic forest and river areas

Local Economic Development

Economic development objectives are based on agriculture and tourism.

History of the Name

The history of the name dates back to an era when the local amakhosi were under the jurisdiction of the Umzinto Magisterial District. When the erstwhile KwaZulu - Natal Government was established in 1970 the Amakhosi moved to Dududu which was going to be their Administrative Head Office. Since the amakhosi were now operating within the area they control, they unanimously said that it was time now to open their eyes and uplift their communities.

CURRENT SITUATION

Vulamehlo Municipality consists mainly of ten different traditional authority areas, but also contains a relatively well-developed coastal strip and a few pockets of privately owned land. The municipal area is characterised by mountains, river systems and valleys, which means that a high proportion of the land is steeply sloping. The most important river systems belong to the Mkomazi, Mpambanyoni and Mtwalume rivers.

The area contains commercial farms on which sugarcane and timber are cultivated. Small-scale sugar-cane growers tend to cluster around Dududu, Kenterton and Mfume. The coastal strip forms part of the Natal South Coast, a popular domestic tourist destination. Scottburgh and Pennington both offer resort facilities, and are affluent in comparison with the underdeveloped rural areas of Vulamehlo.

The population of Vulamehlo Municipality was estimated at 102 232 in the 1996 census. More than half of the population (55%) are under 20 years of age, a demographic factor of extreme significance to the Municipality's planning, because it implies that great pressure is likely to be placed on the area's education, health and recreational facilities, and that the demand for jobs will surge in the next decade. It also implies a high dependency ratio. The general lack of social infrastructure in the traditional areas compels young people to move to the urban areas for better education and employment opportunities. This tends to leave older people in the tribal settlements without proper care, which in turn has created a need for old-age homes and welfare facilities directed toward the needs of the elderly.

The unemployment level in the Municipality is high, with only 6.6% employed (although less than 40% of the population fall into the economically active age group). Because the educational and skills levels of the inhabitants are low, those who have jobs are usually poorly paid. Vulamehlo is regarded as a base for cheap labour by employers outside the Municipality, so many job-seekers become migrant labourers.

Poverty in the rural areas is severe. Sixty-three percent of households in the Municipality have a monthly income of less than R1 500 a month, while a further 17.6% have no income at all, meaning that more than 80% live below the poverty datum line. Economic activities include taxi operations, general dealerships, taverns and spaza shops. The provision of basic infrastructure is very poor in most of Vulamehlo. The areas deep inland and furthest from the coast (and also furthest from major traffic routes) are most affected by lack of physical and social services. Eighty-five percent of the Municipality's households have no access to electricity. Many inhabitants of the deep rural areas cannot afford gas and paraffin as alternative sources of light and power, and have to rely on collecting firewood (with the concomitant risk of snake-bites). About 80% of households lack reliable water sources. Some people have to travel long distances to draw water from rivers and streams, but these suffer from pollution and carry waterborne diseases such as cholera. Sanitation is provided by pit latrines to 76.4% of households. Only 5.2% of households in Vulamehlo have flush toilets. Less than one percent of households have a refuse removal service. Roads and transport in the Municipality are seriously affected by the topographical difficulties represented by the rivers and mountains in the area, which provide natural barriers to movement. The road network systems and bridges are inadequate and poorly maintained, to the great disadvantage of those living in the remote rural areas, who find access to schools and health services very difficult. The situation is exacerbated by the flooding caused by rains (there is a high incidence of drowning caused by people attempting to cross rivers in flood). The poor condition of the roads in the rural areas is also a hindrance to economic development.

Vulamehlo has two hospitals, one of which deploys mobile clinics and community health workers (one for each induna area). However, these are poorly equipped and seldom

supplied with sufficient medicines, and they are insufficient for the needs of those living in the rural areas. Only 53.5% of the population are functionally literate.

The Municipality is generally lacking in school facilities. Those that exist in the rural areas generally lack physical infrastructure (water, sanitation, electricity, fencing) and are in dire need of renovation. The only tertiary institution in Vulamehlo is the Ubuhlebogu Training Centre in the KwaQiko tribal area, serving as a satellite wing of Umlazi Technical College. At present there are no recreational amenities for young people, very few community halls, and the only sportsfields that exist in the rural areas are rudimentary soccer fields on sloping and overgrown terrain.

Issues of concern in the land reform and housing sector are funding and tenure insecurity. Most of the land in the Municipality is owned by the Ingonyama Trust. Environmental concerns include soil erosion, the proliferation of invasive alien plants and wetland degradation.

Key Development Objectives & Strategies

Vulamehlo Municipality has identified a number of priority issues which it hopes to address within the next three to five years. Most of these relate to the developmental inequalities created in the past. The issues are: the provision of basic services, social amenities and basic infrastructure; and local economic development.

Basic Services

The Municipality's objectives regarding basic service provision cover water, waste disposal, sanitation, energy and burial practices. More specifically, Vulamehlo aims to supply safe drinking water to 80% of communities by 2007, and to provide for more effective waste management and sanitation. The target for the latter is that 80% of households will have adequate sanitation facilities by 2007. The same time frame applies to the Municipality's undertaking to provide access to affordable energy sources to 80% of households. Another specific objective is to ensure that appropriate formal burial sites are identified within the Municipality, and that within five years local burial practices conform with the standards laid down by the National Crematoria Act.

Road Network

Vulamehlo also regards the upgrading and maintenance of the road network as an immediate necessity. Priority is to be given to the main and access roads which provide internal and external linkages. A formalisation of municipal transport arrangements is also planned.

Social Services

The provision of social services in Vulamehlo is to be assisted in the following ways. The Municipality aims to provide quality health care services to all communities within five years, giving priority to those parts of the municipal area currently lacking in health services. It also intends to reduce the number of deaths arising from treatable diseases and ignorance of hygiene and nutrition requirements. Vulamehlo has also identified a number of strategies to address the HIV/Aids epidemic. These are to remove the stigma attached to the disease; to ensure that education about, and awareness of, the disease is promoted in all traditional areas; and to reduce the number of new infections by two percent per annum. The Municipality also aims to improve food security by establishing food safety-net projects; establishing at least two sustainable community-based economic projects in each ward within three years; and formulating a policy to assist destitute households.

Education

In the education sector, the Municipality's objectives are to increase the overall matriculation pass rate by 20%; establish post-school educational and skills development programmes; and to undertake drastic renovations to schools. These include the provision of electricity to at least 60% of Vulamehlo's schools by 2007, and the introduction of facilities to promote science as a subject. The Municipality also aims to improve access to community facilities and a variety of recreational sports.

Safety and Security

Another key objective is to improve safety and security conditions. The Municipality aims to reduce crime incidents by two percent per annum by establishing community policing forums, situating satellite police stations in high crime areas, and employing police reservists. Integrated land reform and housing redevelopment programmes are also planned.

Local Economic Development

Economic development objectives are based on agriculture and tourism. Strategies to support agricultural growth include diversifying agricultural production; promoting intensive irrigation schemes; supporting emerging farmers; and assisting in the establishment of community gardens. Tourism development projects include the development of a market for traditional rural arts and crafts, and of 'traditional rural lifestyle' cultural tours.

Historical & Other Places Of Interest

Execution Rock, KwaQiko

Key Demographic, Institutional, and Land Related Information

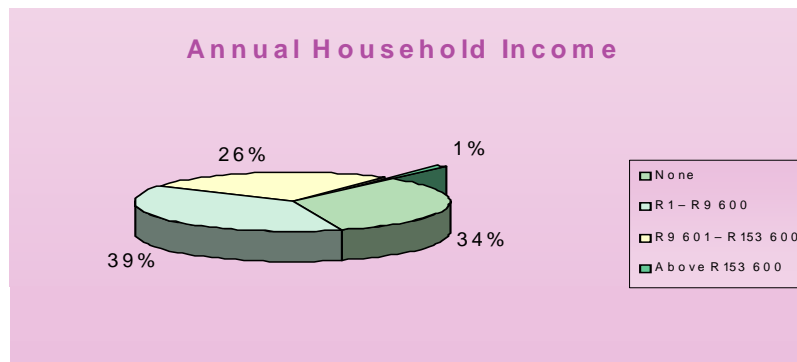
Table 2.1.1

<i>Demographic</i>	
Extent of the Vulamehlo Municipal (area km ²)	966
Population	87 032
Approximate number of households	14 385
Population Density (people/km ²)	74
<i>Population Group</i>	
Black African	98.9%
Coloured	0.2%
Indian	0.3%
White	0.2%
Undisclosed	0.4%
Male Population	46%
Female Population	54%
<i>Institutional</i>	
Number of Councillors	20

Table 2.1.2: Socio-Economic Information

<i>Municipal Age profile</i>	
0 to 4	11%
5 to 14	28%
15 to 34	34%
35 to 64	21%
Over 65	6%
<i>Education Levels over 20's</i>	
No Schooling	37%
Some Primary	24%
Complete Primary	5%
Secondary	22%
Grade 12	10%
Higher	2%
<i>Employment (out of labour force)</i>	
Employed	34%
Unemployed	66%
Labour Force (out of total Population)	20%
Not economically Active (out of total population)	35%
<i>Housing</i>	
Formal	30%
Informal	2%
Traditional	67%
Other	1%
<i>Annual Household Income</i>	
None	34%

R1 – R9 600	39%
R9 601 – R153 600	26%
Above R153 600	1%
Service Backlogs (% people with no access)	
Water	72%
Sanitation	65%



Gender and literacy by ward

Ward	Population	Gender(%)		Marital Status(%)		Literacy(%)
		Male	Female	Unmarried	Married	Illiterate
1	10 976	46.1	53.9	62.8	31.4	19.6
2	5 902	44.9	55.1	64.1	25.6	19.9
3	5 832	47.2	52.8	56.0	34.2	16.3
4	12 207	43.7	56.2	63.6	30.0	24.1
5	16 188	42.2	57.8	58.9	36.8	28.1
6	5 449	43.4	56.5	60.3	35.6	20.7
7	10 425	44.6	55.4	55.7	34.8	28.6
8	23 125	43.4	56.6	62.3	35.6	22.0
9	6 160	49.5	50.4	56.8	35.0	28.2
10	5 968	49.0	51.0	53.4	32.8	31.3

Ward	Population	Age(%)				Employment Status(%)	
		Children	Youth	Middle Age	Elderly	Employed	Unemployed
1	10 976	40.0	35.2	18.6	5.0	22.6	77.4
2	5 902	36.4	36.7	20.5	5.0	40.9	59.1
3	5 832	37.7	32.0	19.1	5.5	41.5	58.5
4	12 207	41.5	32.2	18.2	5.5	35.6	64.4
5	16 188	47.6	28.6	16.8	5.6	21.0	79.0
6	5 449	43.2	33.1	16.7	5.2	31.3	68.7
7	10 425	43.7	32.6	18.3	5.0	42.5	57.5
8	23 125	45.5	28.8	16.4	5.0	33.3	66.7
9	6 160	37.0	33.4	21.9	5.6	71.5	28.5
10	5 968	39.6	33.7	22.2	4.1	83.9	16.1

3. Institutional arrangement

In all instances, responsibility for decision making lies with Council and responsibility for implementation lies with the Municipal Manager and Officials. The Municipality currently employs 32 full-time staff members.

The Administrative Wing of the Municipality is made up of 4 (four) Departments, namely, Finance; Corporate Services; Technical Services; and Development Planning and Local Economic Development. Three of these Departments are headed by Section 57 Employees. However, the contract for the Technical resigned recently but his post is about to be filled.

The Municipality is comprised of 10 (ten) wards and with each ward having a ward Councillor and a PR Councillor. Ward Committees have been established in all wards. In order to make them fully functional, the Municipality has appointed an Administrative Officer to provide them with Administrative Support. Furthermore, the Municipality appoint a Mentor shortly as the Administrative Officer with a view to capacitating the current incumbent.

Governance

The Council is the legislative body, which is empowered to take decisions, inter alia, regarding by-laws, IDP and the budget. The Council consists of 20 Councillors, 2 (Mayor and an Exco member) of which are full time.

Meetings of the Council are open to the public.

The aforementioned committees assist the Council in policy development and monitoring to accelerate service delivery, as well as the oversight of municipal programmes and projects.

<i>Names</i>	<i>Position</i>
Cllr WT Dube	Speaker & PR Councillor
Cllr BR Duma	Mayor & PR Councillor
Cllr DMM Hlengwa	Deputy Mayor & Ward Councillor
Cllr BC Mqadi	Exco Member & PR Councillor
Cllr NB Ndlovu	Ward Councillor
Cllr BP Shange	Ward Councillor
Cllr FB Shezi	Ward Councillor
Cllr PR Shozi	Ward Councillor
Cllr MA Ntombela	Ward Councillor
Cllr TP Phetha	Ward Councillor
Cllr JZ Zwane	Ward Councillor
Cllr RJ Ngcobo	Ward Councillor
Cllr MD Ncwane	Ward Councillor
Cllr ND Hlongwane	PR Councillor
Cllr ZM Mali	PR Councillor
Cllr SW Gumede	PR Councillor
Cllr MP Tenza	PR Councillor
Cllr DP Duma	PR Councillor
Cllr NR Dlamini	PR Councillor
Cllr BG Myeza	PR Councillor



Mayor Cllr BR Duma



Speaker Cllr WT Dube



Deputy Mayor Cllr DMM Hlengwa



Exco Cllr BC Mqadi



Cllr SW Gumede



Cllr ZM Mali



Cllr NB Ndlovu



Cllr TP Phetha



Cllr ND Hlongwane



Cllr ZJ Zwane



Cllr PR Shoji



Cllr FB Shezi










Cllr BG Myeza

Table 1.4 Party and Gender Representation at Council

<i>Party</i>	<i>Councillors</i>	<i>Female</i>	<i>Male</i>
African National Congress	11	3	8
Inkatha Freedom Party	9	4	5
Total	20	7	13

The Speaker

The functions of the Speaker as assigned by Section 37 of the Municipal Structures Act are:

-  Presiding at meetings of the Council
-  Performing the duties and exercise any powers delegated to the Speaker in terms of Section 32 of the Structures Act
-  Ensuring that Council meets at least once every two months unless otherwise resolved by Council
-  Maintaining order during meetings
-  Ensuring compliance in the Council and Council Committees with the Code of Conduct set out in Schedule 1 of the Systems Act
-  Ensuring that council meetings are conducted in accordance with the Rules of the Council.
-  Assessing Councillors needs and arranging suitable training in order to develop political governance capability and improve the skills of individual Councillors

Meetings of the Council are open to the public. The schedule of meetings is advertised in local newspapers to encourage attendance. Attendance of Council meetings during the 2008/2009 financial year is enumerated below:

Table 1.5 Attendance of Council meetings

<i>Portfolio Committee</i>	<i>Meeting Scheduled</i>	<i>Meetings Held</i>	<i>Average Attendance (%)</i>	<i>% Meetings Held</i>
Council	6	12	90	200
Executive	12	8	98	67
Human Resources Committee	11	3	95	27
Finance, Budget & Monitoring Committee	11	6	98	55
Local Economic Development and Planning Committee	11	6	90	55
<i>Ad - Hoc Committees:</i>				
Oversight	Ad-hoc	0		

Committees of Council




The Vulamehlo Municipality is supported by a Committee System, with Portfolio Committees.

The Municipality has multi-party Portfolio Committees, being, the Administration, Human Resources and Finance; Community and Social Development; Planning and Infrastructure Committees. The aforementioned committees assist the Executive Committee in policy development and monitoring to accelerate service delivery, as well as the oversight of strategic programmes and projects.

1. Executive Committee

(Chairperson: Cllr B R Duma (Mayor))

Members:

-  Cllr D M M Hlengwa (Deputy Mayor)
-  Cllr B C Mqadi
-  Cllr W T Dube (Ex Officio)








Attendance at Executive committee meetings

Executive Council			
Meetings	Present	Absent	Attendance %
Total number of meetings		6	
12 August 2009	2	2	50%
26 November 2009	4	0	100%
30 November 2009	4	0	100%
22 February 2010	3	1	75%
8 April 2010	3	1	75%
23 June 2010	3	1	75%

The Speaker/ Mayor

Our Council uses the plenary type of executive system where the Speaker is also the Mayor who carries out the functions of the Speaker as contained in Section 37 of the Municipal Structures Act.

The functions of the Speaker as assigned by Section 37 of the Municipal Structures Act are:

-  Presiding at meetings of the Council
-  Performing the duties and exercise any powers delegated to the Speaker in terms of Section 32 of the Structures Act
-  Ensuring that Council meets at least once every two months unless otherwise resolved by Council
-  Maintaining order during meetings
-  Ensuring compliance in the Council and Council Committees with the Code of Conduct set out in Schedule 1 of the Systems Act
-  Ensuring that council meetings are conducted in accordance with the Rules of the Council.
-  Assessing Councillors needs and arranging suitable training in order to develop political governance capability and improve the skills of individual Councillors

Meetings of the Council are open to the public. The schedule of meetings is advertised in local newspapers to encourage attendance. Attendance of Council meetings during the 2008/2009 financial year is enumerated below:

Table 1.5 Attendance of Council meetings

<i>Meetings</i>	<i>Present</i>	<i>Absent</i>	<i>Attendance %</i>
Total number of meetings			13
9 July 2009	14	6	70%
27 August 2009	18	2	90%
14 September 2009	18	2	90%
26 October 2009	11	9	55%
30 October 2009	19	1	95%
8 December 2009	18	2	90%
24 December 2009	15	5	75%
29 January 2010	19	1	95%
13 March 2010	13	7	65%
19 April 2010	11	9	55%
30 April 2010	19	1	95%
28 May 2010	16	4	80%
29 June 2010	19	1	95%

Committees of Council

In terms of the Council Structure, the Municipality has the following Portfolio Committees:

-  Executive Committee
-  Finance, Budget and Monitoring Committee
-  Planning and Local Economic Development Committee, and
-  Human Resources Committee

The aforementioned committees assist the Council in policy development and monitoring to accelerate service delivery, as well as the oversight of municipal programmes and projects.

A Committee System with Portfolio Committees supports the Council of Vulamehlo Local Municipality.

The Municipality currently has three multi-party Portfolio Committees, being, the Local Economic Development Committee; Human Resources, and Finance, Budget and Monitoring Committee. The aforementioned committees assist the Council in policy development and monitoring to accelerate service delivery, as well as the oversight of strategic programmes and projects.





Table 1.6 Attendance of Portfolio Committee meetings

<i>Party Portfolio Committee</i>	<i>Meetings Scheduled</i>	<i>Meetings Held</i>
Human Resources Committee	14	3
Finance, Budget and Monitoring Committee	12	6
LED and Planning Committee	12	3

Human Resources Committee

(Chairperson: Cllr B R Duma)

Members:

-  Cllr B P Shange
-  Cllr N D Hlongwane
-  Cllr T P Phetha
-  Cllr D P Duma





Attendance at meetings

Human Resources and Planning Committee			
<i>Meetings</i>	<i>Present</i>	<i>Absent</i>	<i>Attendance %</i>
Total number of meetings			3
11 September 2009	5	0	100%
30 November 2009	3	2	60%
18 March 2010	4	1	80%

Finance, Budget & Monitoring Committee

(Chairperson: Cllr B C Mqadi)

Members:

-  Cllr Z M Mali
-  Cllr R J Ngcobo
-  Cllr N B Ndlovu
-  Cllr P R Shoji





Attendance at meetings

Finance, Budget and Monitoring Committee			
Meetings	Present	Absent	Attendance %
Total number of meetings			6
11 August 2009	3	2	60%
1 October 2009	3	2	60%
12 November 2009	4	1	80%
4 March 2010	4	1	80%
18 May 2010	3	2	60%
17 June 2010	3	2	60%




Local Economic Development and Planning Committee

(Chairperson: Cllr D M M Hlengwa)

Members:

-  Cllr J Z Zwane
-  Cllr M A Ntombela
-  Cllr S W Gumede
-  Cllr F B Shezi

The Development Planning and Local Economic Development (LED) department is tasked with driving the following:

-  Overall strategic planning
-  Development planning performance management system and
-  Local economic development (LED)

Local Economic Development and Planning Committee			
Meetings	Present	Absent	Attendance %
Total number of meetings			3
28 August 2009	3	2	60%
15 September 2009	1	4	25%
16 October 2009	4	1	80%

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Chapter Two

HIGHLIGHTS AND CHALLENGES

Technical Services	30
Corporate Services	33

Technical Services

During the 2009/2010 financial year the Technical Department was headed by Mr. V M Khumalo and the following roles and functions resides under this Department:

-  General Maintenance of Buildings
-  Refuse Collection and Disposal
-  Management of M.I.G funding
-  Capital Projects relating to roads and drainage
-  Management of Rural Housing Projects

Progress Made, Achievement and Performance Highlights

Project Management Unit (M.I.G Funding)

Municipal Infrastructure Grant allocation for 2009/10 of R9 777 563 was successfully spent.

Below, a list of MIG projects undertaken in 2009/10:

Ward	Project	Project Cost	30 June 2010 Expenditure	Status
10	Mistake Farm Sportfield	R 5 183 577	2 634 559	96% Complete, tennis court as a major item a contractor has to attend to.
7	Ovumaneni Sportfield	R 5 009 252	3 063 417	99% complete, contractor to install high mast electricity poles
5	Ntshaseni Sportfield	R 4 705 130	2 662 467	100% complete, engineer to submit close-out report
2	A 875	R 2 341 546	35 239	100% complete, engineer to submit close-out report
	PMU Fees		72 315	-
	Total	R 17 239 505	R 8 467 997	

Rural Housing Project

In partnership with the Department of Human Settlement, the Municipality has managed to construct a number of low cost houses for poor deserving families mainly in Wards 1,3,4 and 6

The partnership also included third parties, which are Implementing Agents.

The table below shows the progress made in housing delivery:

Project	Ward	Completion	Allocation
Isimahla	1	99%	1 000 houses
Umdumezulu	3	99%	1 000 houses
Ward 6	6	95%	1 300 houses

As part of the Housing Sector Plan for the municipality, there are also a number of additional housing projects planned in order to reduce the backlog.






We have already appointed Implementing Agents on turnkey basis for packaging and the construction of these houses

Project	Ward	Status	Estimated LC Houses
Ward 8	8, 9 & 10	Tranch 1 submitted	1 500
Ward 5	5 & 7	Tranch 1 submitted	1 500
Thoyane	2 & 3	Tranch 1	1 500
Vulindlela	4, 5 & 7	Tranch 1	1 000

Municipal Funded Projects

With our limited municipal funding, we have managed to undertake significant number of projects.

These include:

-  The re-gravelling of access roads in wards 1, 4 and 9, Stezi Access Road, Sondonzima Access Road and Vukefile Access Road respectively.
-  Fencing of agricultural gardens in wards 3 and 10.
-  Blading of access roads in all the wards
-  Renovations to community facilities in wards 7 and 10 (hall, crèche and sewing center)
-  Construction of a security house

Challenges

Lack of funding is the fundamental challenge halting service delivery, development and implementation of national government mandate in this municipality.

Substantial amount of funding is required for operations and maintenance of existing Municipal Infrastructure and Resources

Additional funding approvals on MIG projects that have been delayed by Cogta has affected the progress on new projects.

Planned Projects

Some of the projects to be implemented in the ensuing financial year (2010/11) are as follows:

Ward	Project Name	Estimated Costs
7	Khakhama to Ntontonto Access Road	9 309 941
2	A 875	2 341 546

Latest Backlog Statistics

Service	No HH*	HH served RDP level	HH not served	Percentage Backlog Remaining
Water	16 807	9 244	7 563	45 %*
Sanitation	16 807	14 467	2 339	14%*
Electricity	16 807	4 523	12 284	73 %**
Housing	16 807	3 260	13 547	80 %***

*Information attained from StatsSA 2001

** Information obtained from Ugu WSDP




*** Information obtained from Eskom

**** Information obtained from Vulamehlo Municipality Housing Sector Plan



Project Management Unit

Functions and Responsibility

The PMU is responsible for the management of the local infrastructure programme (municipal scale) as well as physical project implementation activities while ensuring that:

-  all projects meet overall planning objectives and specific key performance indicators as determined by the MIG Unit.
-  the co-ordination of regular progress meetings at local level and representation at the national progress meetings.
-  the associated project management administrative functions from project registration, evaluation through to final project completion reports.

The PMU is also responsible for the:

-  socio-economic impact assessments detailing how the MIG programme has impacted on the communities and municipalities in terms of; skills development, community involvement, municipal partnerships, local economic development and how the lives of the communities have improved.
-  facilitation of backlog studies and environmental impact assessments of projects when necessary

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Chapter Three

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

Organizational structure	34
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Human resources profile	40
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Organizational Structure

The mandate of the Municipality is to ensure that all of its citizens, regardless of race, gender or sexual orientation have access to the basic essential services of water and sanitation; and that the communities of the municipality are adequately developed.

Administration

The administration of the Municipality is headed by Municipal Manager, divided into five departments, each headed by a Director.

Office of the Municipal Manager

All the Section 57 within the municipality reports directly to the Municipal Manager. The support staff for the Municipal Manager is his Personal Assistant and Manager: IDP and LED; the municipality does not have an Operations Manager.






OVERVIEW OF EACH DEPARTMENT

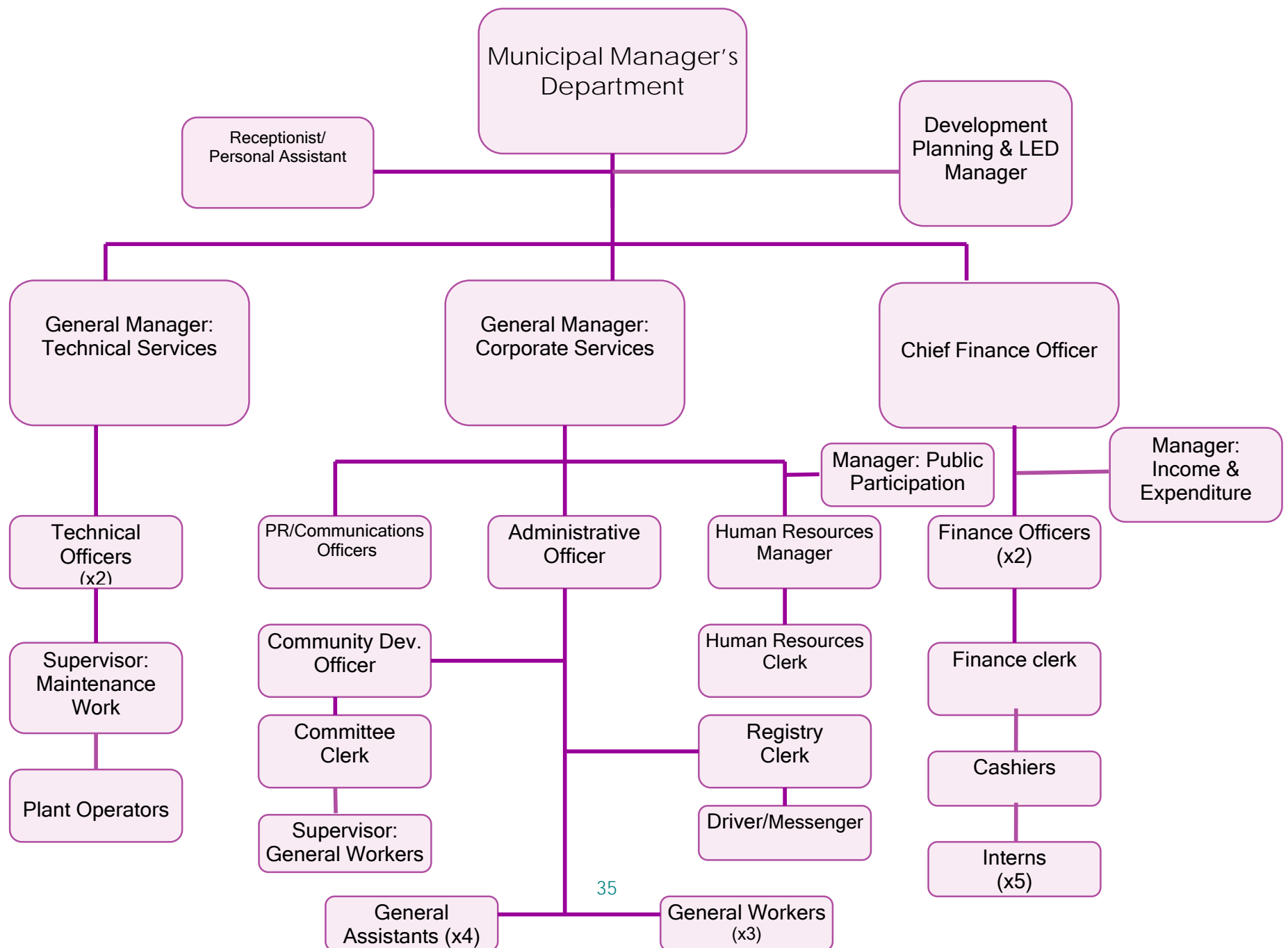
Development Planning

The key to this section involves aspects of planning (PMS, SDBIP), LED, IDP and any other development matters. All these functions are done by 1 personnel. There is no other supporting staff.

Technical Services

There are three supporting staff to the General Manager: Technical Services, that is, two Technical Officers and a secretary. The following roles and functions reside under this Department:

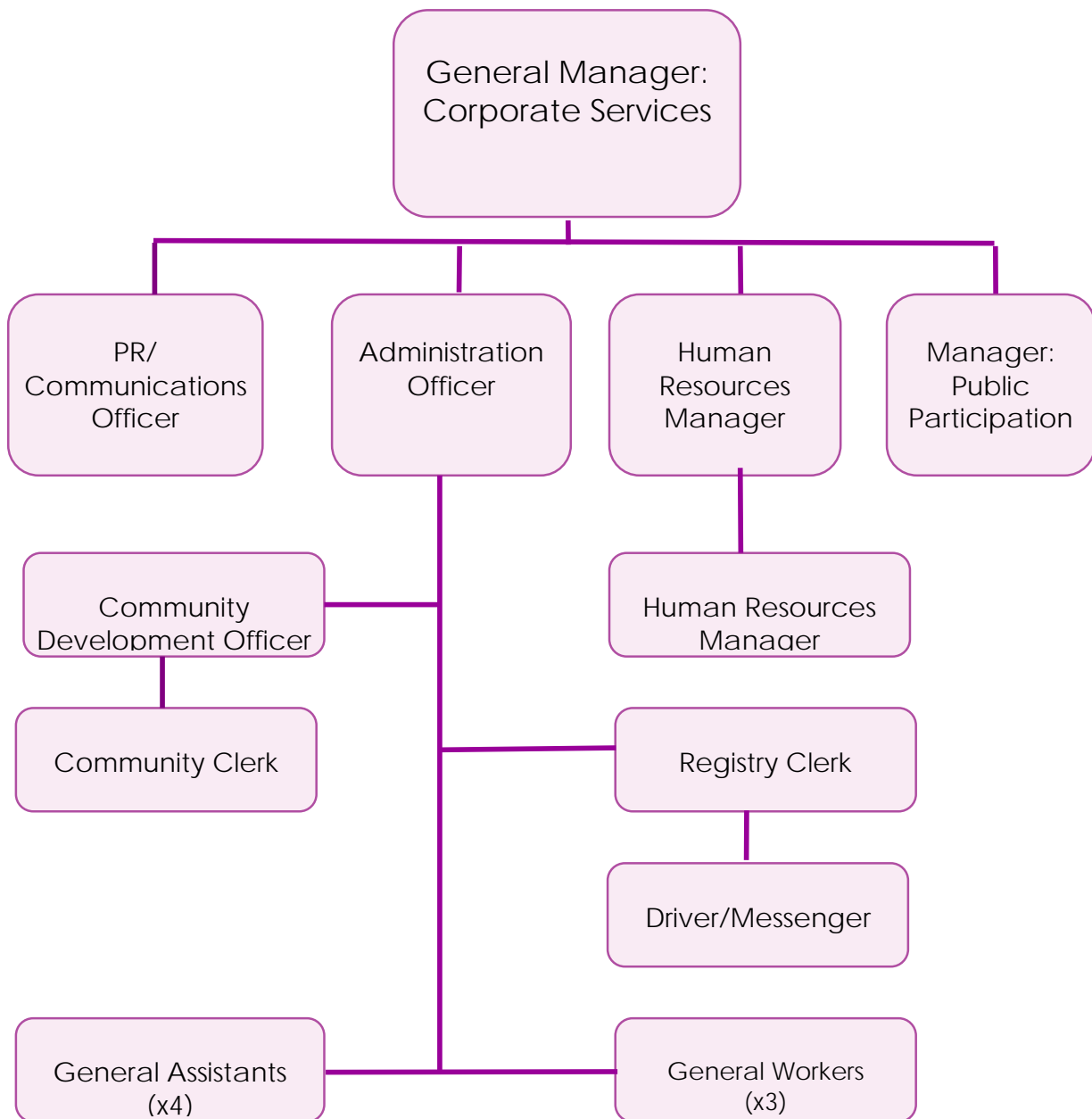
-  General Maintenance of Buildings
-  Refuse Collection and Disposal
-  Management of M.I.G funding
-  Capital Projects relating to roads and drainage
-  Management of Rural Housing Projects



Departments





The municipality has the following departments:

Corporate Services







The Corporate Services Department, headed by the General Manager: Corporate Services includes Human Resources, Secretariat, Information & Communication Technology (ICT) and Registry & Auxiliary Services.

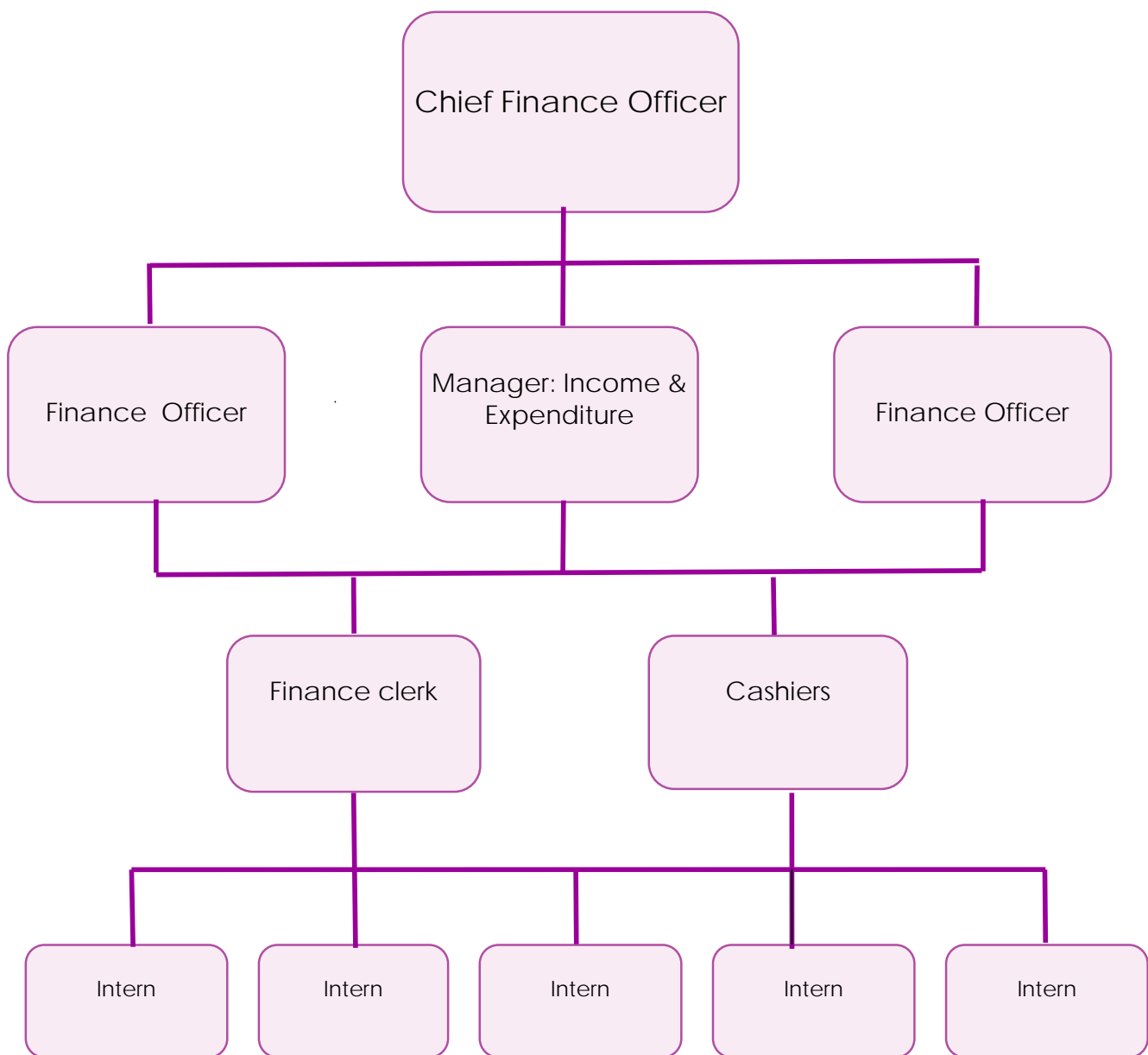
The following are the functional areas of the sections within the Department:

-  Human Resources - Co-ordination of sound Labour Relations, human resources management and recruitment strategies, Employee Wellness, Organisational Development and Occupational Health & Safety.
-  Secretariat - Co-ordination of secretariat support to Council and its Committees.
-  ICT - Ensuring the efficient implementation of information management systems; implementation and maintenance of application systems; implementation of Enterprise Resource Planning, hardware and software maintenance; information systems security; and general co-ordination of management of ICT systems.
-  Registry & Auxiliary Services – Records management, registry management, facilities management, security management, telecommunications, building maintenance.

Finance

The Finance department has the following functions:

-  Asset Management, Loans & Investments and Cash Collection
-  Co-ordination of Accounts Payable, Payroll and management of grants received
-  Preparation of budget, financial forecasting and preparation of financial statements
-  Co-ordination of procurement of goods and services and management of the supplier database.

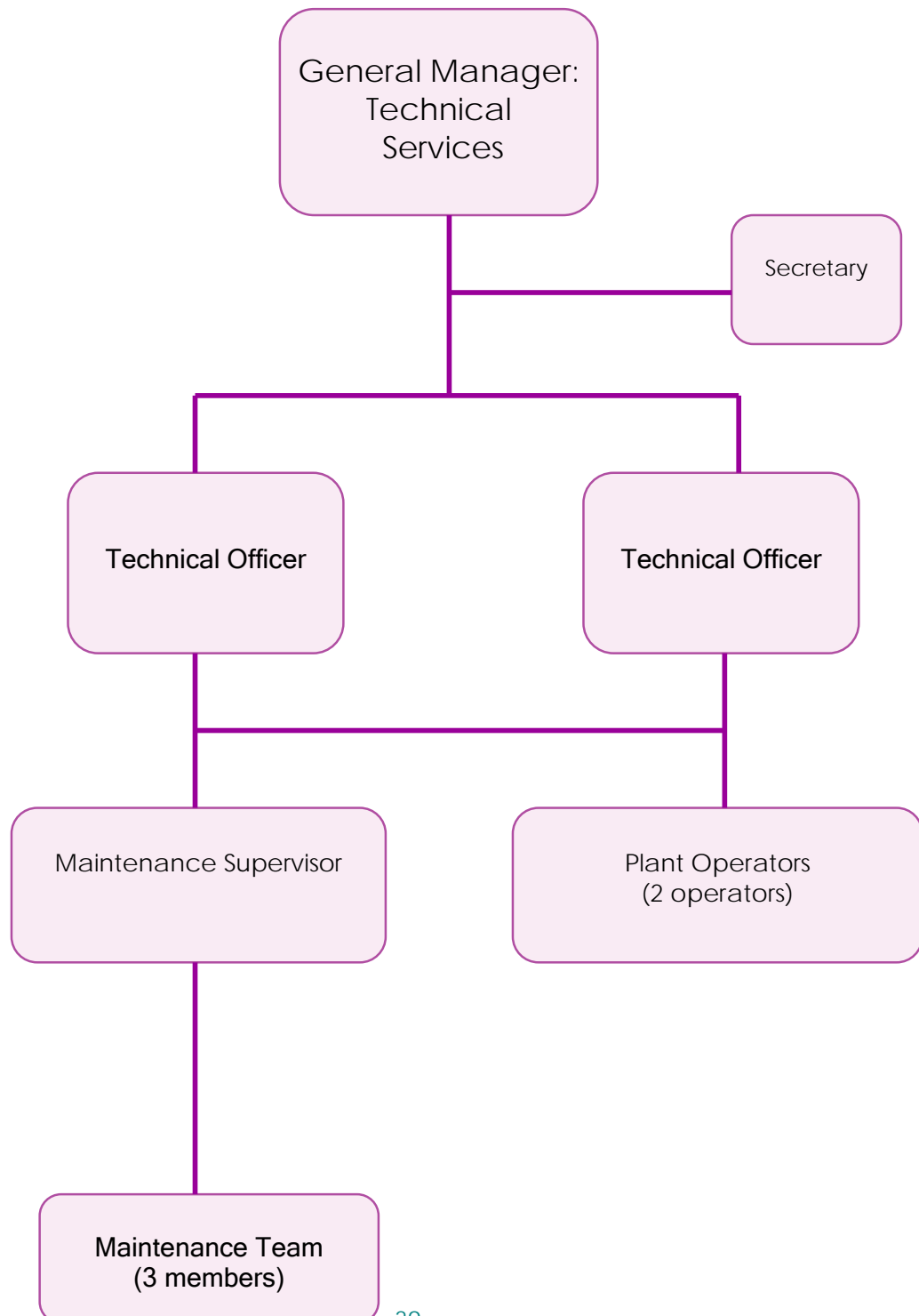


Technical Services

The Technical Services department has the following functions:

- 🏗️ Infrastructural Development
- 🏘️ Local Economic Development

TECHNICAL SERVICES DEPARTMENT - ORGANOGRAM



Staffing Information

The municipality has a staff complement of 58.

The following table illustrates information regarding the staff complement of the municipality:



The following policies were developed during the 2009/2010 financial year:

<i>Number of all municipal staff employed:</i>	<i>Number of staff</i>	<i>Male</i>	<i>Female</i>
Professional (Managerial/Specialist)	8	6	2
Field (Supervisory/Foremen)	24	19	5
Office (Clerical/Administrative)	15	5	10
Non-professional (blue collar, outside workforce)	11	8	3
Totals	58	38	20

The following table illustrates information on the medical aid schemes in operation in the municipality:

-  Bonitas
-  Global Health
-  Samwumed

The following table illustrates information on the pension funds in existence in the municipality:

-  Natal Joint Municipal Pension/Provident Fund
-  Municipal Councillors Pension Fund

Human Resource Profile

The following table provides staffing information:

<i>Function</i>	<i>No. of Staff</i>	<i>No. of Vacancies</i>
Office of the Municipal Manager	1	0
Corporate Services Department	21	0
Finance	11	0
Technical Services	8	1
Local Economic Development	2	0
Contract Employees	15	0
Total	58	1

Disclosures

Certification of Councillors' Remuneration

I certify that the salaries, allowances and benefits of councillors as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in s219 of the Constitution, read with Remuneration of the Public Office Bearers Act, (Act No 20 of 1998) and the ministers of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer
Vulamehlo Municipality
31 August 2010

Remuneration of Councillors

<i>Councillors' remuneration</i>	
Speaker	434 341
Mayor	542 093
Deputy Mayor	434 341
Executive Committee	408 357
Councillors	3 393 626
Meetings	217 000
	<u>5 429 758</u>






There were no in-kind benefits enjoyed by the councillors.

<i>Remuneration of senior managers</i>	
Municipal Manager	576 376
Chief Financial Officer	515 953
Director: Corporate Services	536 475
Director: Technical Services	320 122
	<u>1 948 926</u>

CORPORATE SERVICES

Corporate Identity

The following branding material was produced

-  Community Public Participation wide banner
-  Vulamehlo Podium
-  Vulamehlo Youth advisory center banners and teardrops
-  Vulamehlo light box sign attached to the municipality wall
-  Vulamehlo notice board placed on our nodal points


The printed and electronic stationery including letterheads complimentary slips, folders and files were standardised. We also developed a municipal citizens charter with names and contact details of councillors, head of departments, and frontline official who are responsible for public participation.

Media Interviews

A media briefing was held on the 2 February 2010. All local papers were invited and briefed on planned municipal activities and programmes.

Council Events

Vulamehlo Municipality hosted the following event during this financial year:

-  Press conference on the 2 February 2010.

-  16 Days Of Activism 28 November 2009

Vulamehlo Municipality in conjunction with the Justice cluster hosted an event at Nkampula Ward 6. The purpose was to explain to the community the role of justice departments i.e. Public Prosecution, Home Affairs, Correctional Services, SAPS and Department of Justice. These departments have exhibition stands with information flyers.

-  Dress A Child Campaign

The office of the mayor had a programme of providing school uniforms to needy students around the municipality. That was one of the touching activities the municipality conducted.

-  Back To School Campaign January 2009

This is the initiative from our Youth Office. They came up with the idea to assist financially needy students to register at tertiary institutions. They assist students to register and also assist them in getting the National Student Financial Assistance once they are registered. This year Vulamehlo through youth office managed to assist 20 students to register at different institutions and their plan is to increase the number with the limited finances they've got.

Driver's Licence Program

Again the office of the youth had a programme to assist young people who have passed their matric but wish to pursue other career that does not require one to go to tertiary or college like become police officers.

Human Resources

Organisational structure

The following organisational structure was approved by Council on the 26 June 2009. See structure attached.





Training And Skills Development

The workplace skills plan was developed and submitted to the Local Government SETA on the 30 June 2009 and the following training was undertaken:

Training	Total Number Of Participants
Project Management	4
Customer Satisfaction & Management	6
Elmdp	5
Health And Safety	6
Fraud And Corruption	3
Total	24

Fleet Management

Vulamehlo municipality has a relatively small fleet but to curb the abuse of our fleet we have in place the following control measures:

-  Installed a tracker system that reports on a minute basis the whereabouts of the vehicle and the speed it is driving at. Since this installation there has been an improvement in the reduction of fuel costs, repairs and accidents.
-  Use of trip authorisation forms.
-  Daily log sheets have been implemented for trip authorisations
-  There is also a designated official who analyse the individual vehicle maintenance costs against vehicle age and make necessary recommendations. He also print weekly reports of all individual vehicles.

Public Participation Unit

This unit is responsible for the ward communication and community participation. There are dedicated officials allocated who attends all ward committee meetings, take minutes and do reports to the municipality.

Special programmes are housed in under this unit. This unit also deals with disaster management which is under shared services with Umdoni and Umzumbe municipalities.

4

Chapter Four

FINANCIAL REPORTS

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AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON VULAMEHLO MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Vulamehlo Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 41.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa 2009 (Act No. 12 of 2009) (DoRA) This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 6..... Paragraph 11 *et seq.* of GRAP 1: *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance

with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Vulamehlo Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Vulamehlo Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

10. As disclosed in note 26 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during 2009-10 financial year in the financial statements of the Ugu District Municipality at, and for the year ended, 30 June 2009.

Irregular expenditure

11. As disclosed in note 45.3 to the financial statements, irregular expenditure to the amount of R10, 239 million was incurred, as proper tender processes had not been followed.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

12. The supplementary information set out on pages 42 to 47 does not form part of the financial statements and is presented as additional information. I have not audited this / these schedule(s) and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), Municipal Regulations (Regulations - GNR/GN), Division of Revenue Act of South Africa 2009 (Act No. 12 of 2009) (DoRA), Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), Municipal Structures Act of South Africa, 1998 (Act, No. 117 of 1998), and financial management (internal control).

Predetermined objectives

14. Material findings on the report on predetermined objectives, are reported below:

Non-compliance with regulatory and reporting requirements

Municipal Structures Act of South Africa, 1998 (Act, No. 117 of 1998)

Lack of adoption of a performance management system

15. The Vulamehlo Municipality did not adopt before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan, as required by regulation 8 of Local Government Municipal Planning and Performance Management Regulations.

No comparison against targets and performance in the previous financial year

16. The Vulamehlo Municipality's performance report did not reflect the comparison of targets and performance in the previous financial year, as required by section 46(1)(b) of Municipal Systems Act.

Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003)

Lack of adoption of service delivery and budget implementation plan

17. The Vulamehlo Municipality's mayor did not approve the service delivery and budget implementation plan within 28 days after the approval of the budget, as required by section 53(1)(c)(ii) of the MFMA.

Usefulness of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Reasons for major variances between planned and actual reported targets were not explained

18. Adequate explanations for major variances between the planned and the actual reported targets for the objectives were not reported as required in terms of the relevant reporting guidance. In total 100% of the reported targets with major variances had no explanations for those variances.

Reported information not consistent with planned objectives, indicators and targets

19. Municipality has not reported throughout on its performance against predetermined objectives and targets which is consistent with the approved integrated development plan.

Compliance with laws and regulations

Municipal Supply Chain Management Regulations GNR 868 of 30 May 2005

Expenditure was incurred in contravention of, or not in accordance with, applicable legislation resulting in irregular expenditure

20. Contrary to the requirements set out in regulation 43(1) of the Municipal Supply Chain Management Regulations, the municipality made award above R15 000 to a persons whose tax matters have not been declared by the South African revenue Service to be in order.

Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003)

The financial statements were not prepared in accordance with applicable legislation

21. Contrary to the requirements of section 122(1)(a) of the MFMA, municipality made material adjustments to the annual financial statement that was submitted for audit purposes.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, Municipal Regulations (Regulations – GNR/GN), DoRA, MSA, Municipal Structures Act of South Africa, 1998 (Act No. 117 of 1998), but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported below are limited to the significant deficiencies regarding the basis for the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

22. The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Financial and performance management

23. The financial statements and other information to be included in the annual report were not reviewed for completeness and accuracy prior to submission for audit purposes.

OTHER REPORT

Investigation

24. Two municipal staff members have been charged with dishonesty and misconduct, as they failed to hand over monies to the amount of R2 938 and R7 550 for banking purposes. Both employees have subsequently been suspended, and the municipality has initiated disciplinary hearings against them.

Pietermaritzburg

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Vulamehlo Municipality
Annual Financial Statements
for the year ended 30 June 2010

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Provision of municipal services to the community of Vulamehlo
Grading of local authority	Grade 2
Accounting Officer	Mr MH Zulu
Chief Finance Officer (CFO)	Mr HA Mahomed
Business address	P77 Main Road Dududu 4180 4180
Postal address	Private Bag X5509 Scottsburgh 4180
Bankers	ABSA Standard Bank
Auditors	Auditor - General
Email Address	haroonmahomed@gmail.com
Municipal Manager	Mr MH Zulu
Mayor	Councillor DR Duma
Deputy Mayor	Councillor DM Hlengwa

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

General Information

Speaker	Councillor RWT Dube
Councillors	Councillor RB Mqadi Councillor RTP Phetha Councillor RFB Shezi Councillor ZI Zwane Councillor RZ Mali Councillor PR Shozi Councillor BP Shange Councillor RJ Ngcobo Councillor MD Ncwane Councillor NB Ndlovu Councillor ND Hlongwane Councillor SBG Myeza Councillor DP Duma Councillor MA Ntobela Councillor SW Gumede Councillor MP Tenza Councillor SSNR Dlamini
Director : Corporate Services	Mrs T Cibane
Acting Director : Technical Services	Mr D Sithole

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on pages 10 to 41, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

Accounting Officer

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON VULAMEHLO MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Vulamehlo Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 41.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa 2009 (Act No. 12 of 2009) (DoRA) This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of GRAP 1: *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting

standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Vulamehlo Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Vulamehlo Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

10. As disclosed in note 26 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during 2009-10 financial year in the financial statements of the Ugu District Municipality at, and for the year ended, 30 June 2009.

Irregular expenditure

11. As disclosed in note 45.3 to the financial statements, irregular expenditure to the amount of R10, 239 million was incurred, as proper tender processes had not been followed.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

12. The supplementary information set out on pages 42 to 47 does not form part of the financial statements and is presented as additional information. I have not audited this / these schedule(s) and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), Municipal Regulations (Regulations - GNR/GN), Division of Revenue Act of South Africa 2009 (Act No. 12 of 2009) (DoRA), Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), Municipal Structures Act of South Africa, 1998 (Act, No. 117 of 1998), and financial management (internal control).

Predetermined objectives

14. Material findings on the report on predetermined objectives, are reported below:

Non-compliance with regulatory and reporting requirements

Municipal Structures Act of South Africa, 1998 (Act, No. 117 of 1998)

Lack of adoption of a performance management system

15. The Vulamehlo Municipality did not adopt before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan, as required by regulation 8 of Local Government Municipal Planning and Performance Management Regulations.

No comparison against targets and performance in the previous financial year

16. The Vulamehlo Municipality's performance report did not reflect the comparison of targets and performance in the previous financial year, as required by section 46(1)(b) of Municipal Systems Act.

Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003)

Lack of adoption of service delivery and budget implementation plan

17. The Vulamehlo Municipality's mayor did not approve the service delivery and budget implementation plan within 28 days after the approval of the budget, as required by section 53(1)(c)(ii) of the MFMA.

Usefulness of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Reasons for major variances between planned and actual reported targets were not explained

18. Adequate explanations for major variances between the planned and the actual reported targets for the objectives were not reported as required in terms of the relevant reporting guidance. In total 100% of the reported targets with major variances had no explanations for those variances.

Reported information not consistent with planned objectives, indicators and targets

19. Municipality has not reported throughout on its performance against predetermined objectives and targets which is consistent with the approved integrated development plan.

Compliance with laws and regulations

Municipal Supply Chain Management Regulations GNR 868 of 30 May 2005

Expenditure was incurred in contravention of, or not in accordance with, applicable legislation resulting in irregular expenditure

20. Contrary to the requirements set out in regulation 43(1) of the Municipal Supply Chain Management Regulations, the municipality made award above R15 000 to a persons whose tax matters have not been declared by the South African revenue Service to be in order.

Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003)

The financial statements were not prepared in accordance with applicable legislation

21. Contrary to the requirements of section 122(1)(a) of the MFMA, municipality made material adjustments to the annual financial statement that was submitted for audit purposes.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, Municipal Regulations (Regulations – GNR/GN), DoRA, MSA, Municipal Structures Act of South Africa, 1998 (Act No. 117 of 1998), but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported below are limited to the significant deficiencies regarding the basis for the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

22. The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Financial and performance management

23. The financial statements and other information to be included in the annual report were not reviewed for completeness and accuracy prior to submission for audit purposes.

OTHER REPORT

Investigation

24. Two municipal staff members have been charged with dishonesty and misconduct, as they failed to hand over monies to the amount of R2 938 and R7 550 for banking purposes. Both employees have subsequently been suspended, and the municipality has initiated disciplinary hearings against them.

Pietermaritzburg

30 November 2010



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

	Notes	2010 R	2009 Restated R
Assets			
Current Assets			
Investments	6	10 077 732	14 162 125
Trade and other receivables	7	725 227	937 148
VAT receivable	8	1 794 205	2 022 105
Cash and cash equivalents	9	1 953 702	2 654 530
		14 550 866	19 775 908
Non-Current Assets			
Property, plant and equipment	4	87 740 610	83 413 557
Intangible assets	5	1 511 055	242 903
		89 251 665	83 656 460
Total Assets		103 802 531	103 432 368
Liabilities			
Current Liabilities			
Current portion of long-term liabilities	10	712 565	164 344
Trade and other payables	13	2 148 914	524 560
Unspent conditional grants and receipts	12	10 525 195	6 661 149
Provisions	11	-	228 878
		13 386 674	7 578 931
Non-Current Liabilities			
Long-term liabilities	10	1 165 639	712 280
Total Liabilities		14 552 313	8 291 211
Net Assets		89 250 218	95 141 157
Net Assets			
Accumulated surplus		89 250 218	95 141 157

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

	Note	2010 R	2009 Restated R
Income			
Property rates	14	802 511	-
Government grants & subsidies	15	32 299 156	27 225 702
Sundry income		97 981	110 558
Rental income		143 032	144 686
Vat refund		-	5 384 759
Proceeds on disposal of fixed assets		-	190 857
Interest received - investment		917 665	1 378 257
Total Revenue		34 260 345	34 434 819
Expenditure			
Salaries, wages and allowances	17	7 609 218	4 961 082
Remuneration of councillors	18	5 658 732	4 952 070
Depreciation and amortisation		4 732 511	3 645 894
Finance costs	19	266 713	205 375
Repairs and maintenance		655 111	874 333
Grants and subsidies paid	21	15 667 153	16 740 558
General Expenses	16	5 596 749	1 685 193
Total Expenditure		40 186 187	33 064 505
Loss on disposal of assets and liabilities		(196 892)	-
(Deficit) surplus for the year		(6 122 734)	1 370 314

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

	Reserves R	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	9 332 437	4 673 823	14 006 260
Changes in net assets			
Surplus for the year	-	4 979 208	4 979 208
Transfer from reserves	(2 229 909)	2 229 909	-
Total changes	(2 229 909)	7 209 117	4 979 208
Opening balance as previously reported	7 102 528	11 882 940	18 985 468
Adjustments			
Surplus for the year	-	1 370 314	1 370 314
GRAP conversion adjustments (note 2 and 25)	-	81 409 523	81 409 523
Prior year adjustments (refer to note 2 and 25)	(7 102 528)	478 380	(6 624 148)
Balance at 01 July 2009 as restated	-	95 141 157	95 141 157
Changes in net assets			
Reversal of prior year's stale cheques	-	231 795	231 795
Net income (losses) recognised directly in net assets	-	-	-
Surplus for the year	-	(6 122 734)	(6 122 734)
Total recognised income and expenses for the year	-	(6 122 734)	(6 122 734)
Total changes	-	(5 890 939)	(5 890 939)
Balance at 30 June 2010	-	89 250 218	89 250 218

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

	Notes	2010 R	2009 R
Cash flows from operating activities			
Receipts			
Grants		32 143 365	27 225 702
Interest income		917 665	1 378 257
Other receipts		844 704	5 830 860
GRAP conversion adjustments		-	111 099 034
		33 905 734	145 533 853
Payments			
Employee costs		12 560 507	9 894 739
Interest paid		266 713	205 375
Other payments		(41 728 437)	(45 625 246)
		(28 901 217)	(35 525 132)
Net cash flows from operating activities	22	5 004 517	110 008 721
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1 410 319)	(103 841 868)
Proceeds from sale of property, plant and equipment	4	-	190 857
Purchase of other intangible assets	5	(1 773 645)	(295 202)
Assets under construction cost	5	(7 340 640)	(5 498 135)
Purchase of financial assets		-	(1 367 767)
Proceeds from sale of financial assets		4 084 392	-
Net cash flows from investing activities		(6 440 212)	(110 812 115)
Cash flows from financing activities			
Loans raised		-	842 799
External lease payments		734 867	678 455
Net cash flows from financing activities		734 867	1 521 254
Net increase/(decrease) in cash and cash equivalents		(700 828)	717 860
Cash and cash equivalents at the beginning of the year		2 654 530	1 936 670
Cash and cash equivalents at the end of the year	9	1 953 702	2 654 530

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act no 56 of 2003). The following standards are applicable:

- GRAP 1 - Presentation of financial statements
- GRAP 2 - Cashflow statements
- GRAP 3 - Accounting policies, estimates and error
- GRAP 9 - Revenue from exchange transaction
- GRAP13 - Leases
- GRAP14 - Events after reporting date
- GRAP17- Property, Plant and equipment
- GRAP19 - Provisions and contingent liabilities/assets
- GRAP23 - Revenue from non-exchange transaction
- GRAP102 - Intangible assets

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment, is stated at cost, less accumulated depreciation, except for Roads and Stormwater which are revalued. Land is not depreciated as it is deemed to have an indefinite life.

The municipality has chosen to adopt Directive 4, issued 4 March 2009. As such, the municipality is exempt from measurement of Property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 years
Plant and machinery	10 years
Furniture and fixtures	3 to 8 years
Motor vehicles	5 years
Office equipment	3 to 7 years
Computer equipment	5 years
Community	
• Buildings and recreational	20 to 30 years
• Water Tanks	10 years

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and its impairment loss is charged to the Statement of Financial Performance.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.3 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	4 years

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit - held for trading

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

1.6 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered, is not discounted and is accounted for as a current liability.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.7 Provisions and contingencies

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.7 Provisions and contingencies (continued)

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.8 Revenue from exchange transactions (continued)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.9 Revenue from non-exchange transactions

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.10 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.12 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance and Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as revenue in the Statement of Financial Performance.

1.17 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Presentation of currency

These annual financial statements are presented in South African Rand.

1.19 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.20 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.23 Going concern basis

These annual financial statements have been prepared on a going concern basis.

1.24 Expenditure - VAT

Vat is calculated on the invoice basis.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2010 R	2009 R
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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- Exemptions as set out in Directive 4 issued 4 March 2009

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 is as follows:

Statement of financial position

Property, plant and equipment

Previously stated	-	876 624
Implementation of GRAP - Directive 4	-	82 536 933
	-	83 413 557

Loans redeemed

Previously stated	-	8 696 694
Implementation of GRAP - adjustment	-	(8 696 694)
	-	-

Unspent government grants

Previously stated as reserves forming part of equity	-	7 102 529
Implementation of GRAP - reclassified to current liabilities	-	(7 102 529)
	-	-

Intangible asset

Previously stated	-	-
Implementation of GRAP - Directive 4	-	242 903
	-	242 903

Backlog depreciation/amortisation

Previously stated	-	8 696 695
Implementation of GRAP	-	18 565 649
	-	27 262 344

Accumulated surplus

Previously stated	-	11 882 940
Adjustment	-	83 258 217
	-	95 141 157

Statement of financial performance

Backlog Depreciation - Property, Plant & Equipment

Implementation of GRAP - adjustment	-	3 640 761
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Backlog amortisation - Intangible assets

Implementation of GRAP - adjustment	-	5 133
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Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

At the date of approval of these financial statements the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality.

GRAP 23: Revenue from Non-exchange Transactions

GRAP 24: Presentation of Budget Information in the Financial Statements

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2010
R

2009
R

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation R	Accumulated depreciation R	Carrying value R	Cost / Valuation R	Accumulated depreciation R	Carrying value R
Buildings	3 397 835	(678 057)	2 719 778	3 155 267	(586 332)	2 568 935
Plant and machinery	2 060 192	(839 684)	1 220 508	2 061 263	(634 415)	1 426 848
Furniture and fixtures	842 549	(364 297)	478 252	880 129	(409 176)	470 953
Motor vehicles	1 275 708	(643 713)	631 995	1 466 452	(611 947)	854 505
Office equipment	954 561	(668 672)	285 889	1 165 366	(749 227)	416 139
Computer equipment	977 082	(241 628)	735 454	639 038	(390 434)	248 604
Community	108 747 406	(27 078 672)	81 668 734	101 303 253	(23 875 680)	77 427 573
Total	118 255 333	(30 514 723)	87 740 610	110 670 768	(27 257 211)	83 413 557

Reconciliation of property, plant and equipment - 2010

	Opening balance R	Additions R	Disposals R	Assets under construction R	Depreciation R	Total R
Buildings	2 568 935	335 646	(44 957)	-	(139 846)	2 719 778
Plant and machinery	1 426 848	-	(107)	-	(206 233)	1 220 508
Furniture and fixtures	470 953	207 137	(91 035)	-	(108 803)	478 252
Motor vehicles	854 505	9 412	(1)	-	(231 921)	631 995
Office equipment	416 139	69 869	(39 939)	-	(160 180)	285 889
Computer equipment	248 604	684 745	(101 653)	-	(96 242)	735 454
Community	77 427 573	103 510	-	7 340 643	(3 202 992)	81 668 734
	83 413 557	1 410 319	(277 692)	7 340 643	(4 146 217)	87 740 610

Reconciliation of property, plant and equipment - 2009

	Opening balance R	Additions R	Disposals R	Assets under construction R	Depreciation R	Total R
Buildings	2 696 358	-	-	-	(127 423)	2 568 935
Plant and machinery	1 633 081	-	-	-	(206 233)	1 426 848
Furniture and fixtures	477 774	87 869	-	-	(94 690)	470 953
Motor vehicles	309 219	942 288	(190 857)	-	(206 145)	854 505
Office equipment	391 392	220 670	-	-	(195 923)	416 139
Computer equipment	137 006	209 667	-	-	(98 069)	248 604
Community	62 028 097	12 613 620	-	5 498 134	(2 712 278)	77 427 573
	67 672 927	14 074 114	(190 857)	5 498 134	(3 640 761)	83 413 557

Assets subject to an instalment sale agreement (net carrying value)

Motor vehicles	618 605	800 945
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Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Other information

Assets under construction

Capital WIP - Ntshaseni Sports Complex	1 675 679	1 403 739
Capital WIP - Mdumezulu Sports Ground	837 417	-
Capital WIP - Odini Sportfield	486 292	-
Capital WIP - Ovumaneni Sport Complex	1 393 507	1 547 460
Capital WIP - Mistake Farm Sportsfield	2 155 546	1 569 188
Capital WIP - A875 Road Construction	47 375	164 717
Khakhama to Ntontonto Access Road	-	813 030
Khakhama Sportsfield	149 999	-
Stezi Road	594 828	-
	7 340 643	5 498 134

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment with a carrying value of R 87 292 545 (2009: R 83 413 557) was recognised at provisional amounts.

Due to initial adoption of GRAP 17

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

5. Intangible assets

	2010			2009		
	Cost / Valuation R	Accumulated amortisation R	Carrying value R	Cost / Valuation R	Accumulated amortisation R	Carrying value R
Computer software	2 024 901	(513 846)	1 511 055	295 203	(52 300)	242 903

Reconciliation of intangible assets - 2010

	Opening balance R	Additions R	Disposals R	Amortisation R	Total R
Computer software	242 903	1 773 645	(8)	(505 485)	1 511 055

Reconciliation of intangible assets - 2009

	Opening balance R	Additions R	Amortisation R	Total R
Computer software	7 645	240 391	(5 133)	242 903

Intangible assets subject to external loans (net carrying value)

Computer software	1 069 533	-
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Transitional provisions

Intangible assets recognised at provisional amounts

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

5. Intangible assets (continued)

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain intangible assets with a carrying value of R 1 729 740 (2009: R 242 903) was recognised at provisional amounts.

Due to initial adoption of GRAP 102

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

6. Investments

Unlisted

Standard Bank Tiered Rate Call Deposit	10 077 732	14 162 125
Interest rates varies according to the balance on the call deposit, and is capitalised monthly.		

Current assets

Held to maturity	10 077 732	14 162 125
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7. Trade and other receivables

Property rates debtors	406 529	-
Rental debtors	63 888	60 686
Sundry debtors	528 957	873 012
Deposits	3 450	3 450
Provision for bad debts	(277 597)	-
	725 227	937 148

Sundry debtors

Included in the sundry debtors is an amount owing of R527 327 (2009: R767 936) which emanated from fraud that was committed against the municipality. The effected party was found guilty of the offence and given a suspended sentence of four years on condition that the the misappropriated funds are paid back to the municipality.

Debtors ageing - property rates

0 - 30 days	51 311	-
60 days	51 308	-
90 days	51 308	-
120 days	98 677	-
150 days	36 942	-
180 days	116 983	-
Total	406 529	-

8. VAT receivable

VAT	1 794 205	2 022 105
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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 000	5 000
Bank balances	1 948 702	2 649 530
	1 953 702	2 654 530

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2010
R

2009
R

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances	
	30 June 2010	30 June 2009
Gijima Account - 62086728642	9 637	10 297
Gijima Account - 62026104901	43	703
Municipal Housing Operating - 62163885399	9	669
ABSA Account - 4069991393	1 567 253	2 637 861
Municipal Property Rates - 4074472671	371 760	-
Total	1 948 702	2 649 530

10. Current portion of long-term liabilities

Minimum lease payments due		
- within one year	712 565	250 312
- in second to fifth year inclusive	1 560 968	840 992
	2 273 533	1 091 304
less: future finance charges	(395 329)	(214 680)
Present value of minimum lease payments	1 878 204	876 624
Non-current liabilities	1 165 639	712 280
Current liabilities	712 565	164 344
	1 878 204	876 624

The municipality has purchased motor vehicles and a portion of the computer software using external loan finance.

The average loan term was 4-5 years.

Interest rates are linked to prime at the contract date. All leases have fixed repayments.

The municipality's obligations under the external loan and instalment sale agreements are secured by the lessor's charge over the financed assets. Refer to Note 4 and 5.

11. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Contributions	Utilised during the year	Transferred to current liability in current year	Total
Leave provision	228 878	237 591	(88 274)	(378 195)	-

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent grants and receipts	10 525 195	6 661 149
Unspent Grants Comprises:		
Violence damage houses grant	-	114 246
Local government finance management grant	290 460	132 360
MIG	6 925 952	3 246 832
Cemetery Grant	28 933	86 113
Local Government Transition Fund Grant	27 627	27 627
CDW Grant	1 474	1 474
HR Systems Grant	7 000	7 000
Ward Committee Induction	14 410	14 410
Municipal Assistance Programme Grant (MAP)	518 033	34 274
Municipal Systems Improvement Grant	29 819	651 239
Development of Municipal Housing Grant	17 418	17 418
KZN Sports Grant	1 253 291	375 000
Feasibility Grant	100 000	100 000
Capacity Support Grant	50 000	119 478
Burial Assistance Grant	28 903	28 903
PMS Grant	40 000	40 000
GIS Grant	3 344	3 344
Capacity Building	250 000	250 000
Establishment of Internal Controls	150 000	150 000
Inter-Departmental Monitoring Grant	872	46 649
Land Use Management Systems Grant (LUMS)	44 545	44 545
DLGTA - Anti-corruption Grant	125 205	125 205
Amahwaqa Housing Project Development Grant	1 000	1 000
Johnny Area Community Gardens Grant	5 727	5 727
Mjunundu Community Gardens Grant	3 680	3 680
Homeowners Ploughing Assistance Programme	14 905	14 905
LGWSETA Grant	86 302	67 525
Peanut Butter Project Grant	57	57
DBSA Grant	162 148	162 148
Municipal Infrastructure Investment Programme	2 332	262 400
Municipal Capacity Building Framework	-	403 706
Establishment Projects Grant	4 960	123 609
Development Planning	336 666	-
HIV/Aids - Drum	-	144
Umdumezulu/Isimahla Rural Housing project	131	131

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
13. Trade and other payables		
Accrued expenses	961 236	422 215
Accounts payable	14 733	14 733
Prepayment of rental	46 850	82 843
Prepayment of rates	8 099	-
Accrued leave pay	378 195	-
Accrued 13th cheques	503 308	-
Councillors UIF contribution	231 724	-
Deposits received	4 769	4 769
	2 148 914	524 560
14. Property rates		
Rates received		
Municipal	802 511	-

The municipality implemented the billing of municipal property rates in the current financial year.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
15. Government grants and subsidies		
Equitable share	18 876 229	15 066 255
Finance Management Grant	841 902	500 000
MAP Grant	266 241	-
MSIG	1 356 419	735 000
LGSETA Grant	23 529	32 447
MIG	8 541 881	10 392 000
KZN Sports Grant	1 323 709	375 000
Inter-departmental monitoring	45 777	-
HIV/Aids - Drum	144	-
Capacity Building - DLGTA	403 705	-
Mun. Inf. Investment Program	260 068	-
Youth	118 649	125 000
Cemetery	57 179	-
Capacity support grant	69 478	-
Violence damaged houses	114 246	-
	32 299 156	27 225 702

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Local Government Transition Fund

Balance unspent at beginning of year	27 627	203 358
Conditions met -transferred to revenue	-	(175 731)
	27 627	27 627

Conditions still to be met - remain liabilities (see note 12)

Local Government Finance Management Grant

Balance unspent at beginning of year	132 360	360 008
Current-year receipts	1 000 000	500 000
Conditions met - transferred to revenue	(497 907)	(727 648)
Conditions met - transferred to property, plant & equipment	(343 993)	-
	290 460	132 360

Equitable Share

Balance unspent at beginning of year	-	1 731 260
Current-year receipts	-	15 066 255
Conditions met - transferred to revenue	-	(16 528 948)
Conditions met - restatement - transferred to accumulated surplus as per GRAP	-	(268 567)
	-	-

Free Basic Service Grant

Balance unspent at beginning of year	-	172 813
Conditions met - restatement - transferred to accumulated surplus as per GRAP	-	(172 813)
	-	-

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
15. Government grants and subsidies (continued)		
Capacity Support Grant		
Balance unspent at beginning of year	119 478	319 478
Conditions met - transferred to revenue	(69 478)	(200 000)
	50 000	119 478
Violence Damaged Houses Grant		
Balance unspent at beginning of year	114 246	127 539
Conditions met - transferred to revenue	(114 246)	(13 293)
	-	114 246
Municipal Capacity Building Framework		
Balance unspent at beginning of year	403 706	574 663
Conditions met - transferred to revenue	(403 706)	(170 957)
	-	403 706
Municipal Infrastructure Investment Programme		
Balance unspent at beginning of year	262 400	262 400
Conditions met - transferred to revenue	(260 068)	-
	2 332	262 400
Municipal Assistance Program Grant (MAP)		
Balance unspent at beginning of year	34 274	79 070
Current-year receipts	750 000	-
Conditions met - transferred to revenue	(266 241)	(44 796)
	518 033	34 274
Inter-Departmental Monitoring Grant		
Balance unspent at beginning of year	46 649	77 992
Conditions met - transferred to revenue	(45 777)	(31 343)
	872	46 649
Land Use Management Systems Grant (LUMS)		
Balance unspent at beginning of year	44 545	44 545
	44 545	44 545
DLGTA - Anti-corruption Grant		
Balance unspent at beginning of year	125 205	125 205
	125 205	125 205

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
15. Government grants and subsidies (continued)		
Amahwaqa Housing Project Development Grant		
Balance unspent at beginning of year	1 000	1 000
	1 000	1 000
Johnny Area Community Gardens Grant		
Balance unspent at beginning of year	5 727	5 727
	5 727	5 727
Mjunundu Community Gardens Grant		
Balance unspent at beginning of year	3 680	3 680
	3 680	3 680
Homeowners Ploughing Assistance Programme		
Balance unspent at beginning of year	14 905	14 905
	14 905	14 905
CDW Grant		
Balance unspent at beginning of year	1 474	6 344
Conditions met - transferred to revenue	-	(4 870)
	1 474	1 474
Umdumezulu/Isimahla Rural Housing Project		
Balance unspent at beginning of year	131	131
	131	131
HIV/Aids - DRUM		
Balance unspent at beginning of year	144	144
Conditions met - transferred to revenue	(144)	-
	-	144
PMS Grant		
Balance unspent at beginning of year	40 000	40 000
	40 000	40 000
GIS Grant		
Balance unspent at beginning of year	3 344	3 344
	3 344	3 344

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
15. Government grants and subsidies (continued)		
LGWSETA Grant		
Balance unspent at beginning of year	67 525	35 078
Current-year receipts	42 306	32 447
Conditions met - transferred to revenue	(23 529)	-
	86 302	67 525
Peanut Butter Project Grant		
Balance unspent at beginning of year	57	57
	57	57
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	3 246 832	832 185
Current-year receipts	12 221 000	10 392 000
Conditions met - transferred to revenue	(3 252 644)	(7 977 353)
Conditions met - transferred to property, plant & equipment	(5 289 236)	-
	6 925 952	3 246 832
HR Systems Grant (DLGTA)		
Balance unspent at beginning of year	7 000	137 000
Conditions met - transferred to revenue	-	(130 000)
	7 000	7 000
Burial Assistance Grant		
Balance unspent at beginning of year	28 903	28 903
	28 903	28 903
Capacity Support Grant		
Balance unspent at beginning of year	250 000	250 000
	250 000	250 000
Feasibility Grant		
Balance unspent at beginning of year	100 000	100 000
	100 000	100 000
KZN Sports Grant		
Balance unspent at beginning of year	375 000	-
Current year receipts	2 202 000	375 000
Conditions met -transferred to property, plant & equipment	(1 323 709)	-
	1 253 291	375 000

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
15. Government grants and subsidies (continued)		
Establishment Projects Grant		
Youth Management (Ugu)	123 609	-
Current-year receipts	-	125 000
Conditions met - transferred to revenue	(106 649)	(1 391)
Conditions met - transferred to property, plant & equipment	(12 000)	-
	4 960	123 609
Ward Committee Induction		
Balance unspent at beginning of year	14 410	14 410
	14 410	14 410
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	651 239	1 322 416
Current-year receipts	735 000	735 000
Conditions met - transferred to revenue	(1 356 420)	(1 406 177)
	29 819	651 239
Cemetery Grant		
Balance unspent at beginning of year	86 113	86 113
Conditions met - transferred to revenue	(57 180)	-
	28 933	86 113
Establishment of Internal Controls		
Balance unspent at beginning of year	150 000	150 000
	150 000	150 000
Development Planning		
Current-year receipts	336 666	-
	336 666	-
DBSA Grant		
Balance unspent at beginning of year	162 148	162 148
	162 148	162 148
Development of Municipal Housing Grantement Grant		
Balance unspent at beginning of year	17 418	17 418
	17 418	17 418

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
16. General expenses		
Advertising	146 284	206 260
Auditors remuneration	762 416	492 371
Bad debts recovered	-	(3 465 032)
Bank charges	57 992	33 708
Cleaning	365 275	255 466
Computer expenses	261 699	-
Conferences and seminars	964 131	695 907
Consulting and professional fees	585 807	85 133
Contributions	237 593	61 464
Electricity	88 613	72 757
Entertainment	147 391	165 009
General expenses	304 080	347 396
Insurance	202 950	246 600
Lease rentals on operating lease	72 628	-
Medical expenses	3 306	3 462
Packaging	130	-
Printing and stationery	281 163	176 038
Provision for bad debts	277 597	-
Security	186 942	210 840
Subscriptions and membership fees	100 000	63 178
Telephone and fax	462 819	496 274
Training	62 780	20 000
Vat recovery	-	1 493 618
Water	25 153	24 744
	5 596 749	1 685 193

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
17. Employee related costs		
Basic	5 198 186	3 491 021
Medical aid - company contributions	525 144	371 507
UIF	107 291	37 246
Pension fund contributions	648 456	614 875
13th Cheques	503 308	-
Cellphone allowance	250 434	41 893
Performance bonus	149 658	140 906
Group Scheme	162 746	214 785
Backpay	51 319	30 436
Uniform allowance	12 676	18 413
	7 609 218	4 961 082

Remuneration of municipal manager

Annual Remuneration	360 023	319 274
Car allowance	126 697	126 697
Performance Bonuses	68 251	123 001
Contribution to UIF	1 498	1 498
Backpay	19 906	2 862
	576 375	573 332

Remuneration of chief finance officer

Annual Remuneration	274 658	252 664
Car Allowance	176 984	155 952
Performance Bonuses	47 652	47 050
Contribution to UIF	1 497	1 497
Backpay	15 162	1 624
	515 953	458 787

Remuneration of executive directors: Technical Services

Annual Remuneration	194 536	275 477
Car Allowance	109 426	155 952
Contribution to UIF	998	1 497
Backpay	15 162	1 771
Subscriptions	-	3 709
	320 122	438 406

Mr VM Khumalo resigned at the end of February 2010. A new manager has not been appointed yet.

Remuneration of executive directors: Corporate Services

Annual Remuneration	296 655	275 477
Car Allowance	166 869	155 952
Performance Bonuses	47 652	-
Contribution to UIF	1 497	1 497
Backpay	15 162	1 771
Acting allowance	8 640	-
Subscriptions	-	3 709
	536 475	438 406

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
18. Remuneration of councillors		
Executive Mayor	542 093	506 010
Deputy Executive Mayor	434 341	408 384
Mayoral Committee Members	408 357	383 632
Speaker	434 341	408 189
Councillors	3 390 876	3 245 855
Councillors UIF Contribution (2002 - 2010)	231 724	-
Meetings	217 000	-
	5 658 732	4 952 070

Councillors UIF contribution had previously not been accounted for by the municipality, and this amount of R231 724 has been accrued from the period July 2002 - June 2010 in the current financial year.

19. Finance costs

External loans	266 713	205 375
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20. Auditors' remuneration

Fees	762 416	492 371
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21. Grants and subsidies paid

Grant expenditure consists of:

Violence damage houses grant	44 439	13 292
Local government finance management grant	497 907	727 648
MIG	3 252 644	7 977 353
Municipal Capacity Building Framework Grant	403 706	170 957
Local Government Transition Fund Grant	-	175 731
CDW Grant	-	4 870
Municipal Infrastructure Investment Programme	260 068	-
Implementation of MFMA Grant	-	98 217
Equitable share	9 282 973	3 813 894
Municipal Assistance Programme Grant (MAP)	266 241	44 795
Municipal Systems Improvement Grant	1 356 419	1 406 177
Property Rates Valuation Roll Grant	-	126 842
Inter-Departmental Monitoring Grant	45 777	31 342
Cemetery Grant	57 179	-
Project Consolidate	-	1 619 887
Capacity Support Grant	69 478	200 000
Property Rates Grant	-	63 125
HR Systems Grant	-	130 000
Youth Manager (Ugu)	106 649	1 391
Vulamehlo Youth Council	-	20 000
Public Participation Grant (DLGTA)	-	109 769
Youth Grant (Ugu)	-	5 268
HIV/AIDS - Drum	144	-
LGSETA Grant	23 529	-
	15 667 153	16 740 558

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
22. Cash generated from operations		
(Deficit) surplus	(6 122 734)	1 370 314
Adjustments for:		
Depreciation and amortisation	4 732 511	3 645 894
Loss on sale of assets and liabilities	196 892	-
Finance costs - Finance leases	266 713	205 375
Movements in provisions	(228 878)	3 516 438
Movement in tax receivable and payable	227 900	(2 022 105)
GRAP conversion adjustments	-	109 968 182
Reversal of prior year's stale cheques	231 796	-
Changes in working capital:		
Trade and other receivables	211 922	(4 070 117)
Trade and other payables	1 624 349	(356 765)
Unspent conditional grants and receipts	3 864 046	(2 248 495)
	5 004 517	110 008 721
23. Commitments		
Authorised capital expenditure		
Commitments in respect of capital expenditure - approved and contacted for:		
• Roads	718 082	-
• Community	1 281 471	10 737 033
• Other	82 650	-
	2 082 203	10 737 033
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	39 216	-
- in second to fifth year inclusive	39 216	-
	78 432	-
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	163 055	163 055
24. Related parties		
During the year under review, no related party transactions were entered into.		
25. Prior period adjustments		
Implementation of GRAP:		
Statement of financial position		
Backlog depreciation	-	23 663 617
Correction to assets	-	(105 073 138)
Total changes for assets	-	(81 409 521)
Correction of errors	-	(478 380)
Total effect on accumulated surplus	-	(81 887 901)
26. Comparative figures		
Certain comparative figures have been restated due to the GRAP conversion entries.		

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2010	2009
R	R

27. Events after the reporting date

No events after the reporting date have been identified.

28. Employee benefits

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006. The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. No future details could be provided for after the last valuation, been 30 June 2006.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2009. The statutory valuation performed as at 31 March 2009 revealed that the market value of the fund was R574,0 million (2008: R604,7 million). The contribution rate payable (either 5,00%, 7,00% or 9,25 % by the member and 1,95 times the member's contribution by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2009. The recorded deficit of R13,9 million (31 March 2008: R3,3 million) will be met from future investment earnings.

29. Misappropriation of funds

Two municipal staff members have been charged with dishonesty and misconduct, as they failed to handover monies to the amount of R2 938 and R7 550 for banking purposes. Both employees have subsequently been suspended, and the municipality has initiated disciplinary hearings against them.

30. Irregular expenditure

Opening balance	200 000	-
Add: Irregular Expenditure - current year	10 039 819	200 000
Less: Amounts condoned	-	-
	10 239 819	200 000

During the current year financial year, the municipality procured services from certain suppliers without obtaining valid tax clearance certificates, which amounted to R10 039 819. In the 2008/2009 financial year, an amount of R200 000 was paid to the Hibiscus Tourism Association without following the proper procurement process. This was due to the merger of tourism associations that had to be addressed at short notice and the response time did not allow for the complete procurement process to be followed.

31. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current balance	762 416	492 371
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PAYE and UIF

Current balance	1 962 775	1 529 334
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VAT

VAT receivable	1 794 205	2 022 105
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Councillors' arrear consumer accounts

There were no councillors with arrear accounts as at 30 June 2010.

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010
Appendix A: Schedule of external loans

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
LOAN STOCK		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
STRUCTURED LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
FUNDING FACILITY		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
DEVELOPMENT BANK OF SOUTH AFRICA		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
BONDS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
OTHER LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
LEASE LIABILITY		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
ANNUITY LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
GOVERNMENT LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

[illegible]

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

[illegible]**TOTAL EXTERNAL LOANS**

LOAN STOCK
STRUCTURED LOANS
FUNDING FACILITY
DEVELOPMENT BANK OF SOUTH
AFRICA
BONDS
OTHER LOANS
LEASE LIABILITY
ANNUITY LOANS
GOVERNMENT LOANS

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix B: Analysis of property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
	Cost/Revaluation									Accumulated depreciation						
	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings																
1.1.1300.0105.: Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure																
1.1.1300.0101.: (Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0101.: (Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: (Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: (Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: (Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: (Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: (Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: (Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0104.: (Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0104.: (Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: (Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets																
1.1.1300.1400.: Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets																

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
	Cost/Revaluation										Accumulated depreciation					
	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
1.1.1300.2310.:Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2310.:Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undefined Difference: Agricultural/Biological assets													(118 255)			
1.1.1301.0000.(Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1302.0000.(Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
Cost/Revaluation										Accumulated depreciation						
Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Disposals
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Intangible assets																
1.1.1303.0000.(Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1303.0000.(Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undefined Difference: Investment properties												(1 511)				
1.1.1304.0000.(Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total																
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
Cost/Revaluation									Accumulated depreciation							
Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Disposals
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Accumulated Depreciation

[illegible]

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Accumulated Depreciation

[illegible]

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007																	
													Accumulated Depreciation				
Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment deficit	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

[illegible]

APPENDIX D for the period ended 30 June 2010

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED						
Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED						
Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Total	-	-	-

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

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APPENDIX E(1) for the ended 30 June 2010

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2009 Act. Bal. R'000	Current year 2009 Bud. Amt R'000	Variance R'000		Prior Year # 1 2008 Forecast Amt R'000	Variance R'000	Var		Prior Year # 1 2008 Act. Bal. R'000	Prior Year # 1 2008 Bud. Amt R'000	Variance R'000			Current year 2009 Forecast Amt R'000	Variance R'000		Budget Remaining R'000	Current year 2009 Bud. Amt R'000
							Revenue										
-	-	-	-	-	-	-	- Sale of goods	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sale of goods in agricultural activities	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services in agricultural activities	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Service charges	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Levies	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates - penalties imposed and collection charges	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sales of housing	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Construction contracts	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Royalty income	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Interest received (trading)	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Dividends received	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Income from agency services	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Public contributions and donations	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fines	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Licences and permits	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Government grants & subsidies	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD1	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD2	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 1	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 2	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Miscellaneous other revenue	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Administration and management fees received	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fees earned	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Commissions received	-	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance		Prior Year # 1 2008 Forecast Amt	Variance		Prior Year # 1 2008 Act. Bal.	Prior Year # 1 2008 Bud. Amt	Variance		Current year 2009 Forecast Amt	Variance		Budget Remaining	Current year 2009 Bud. Amt
-	-	-	-	-	-	- Royalties received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Rental income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Discount received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Recoveries	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income 1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income 2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income 3	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 3	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 4	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Government grants	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Interest received - investment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Interest received - other	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Dividends received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
						Expenses									
-	-	-	-	-	-	- Personnel	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Remuneration of councillors	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Administration	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Transfer payments	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Depreciation	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Impairment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Amortisation	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Impairments	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Reversal of impairments	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Finance costs	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Debt impairment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Collection costs	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Repairs and maintenance - Manufacturing expenses	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Repairs and maintenance - General	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Repairs and maintenance - General	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance		Prior Year # 1 2008 Forecast Amt	Variance		Prior Year # 1 2008 Act. Bal.	Prior Year # 1 2008 Bud. Amt	Variance		Current year 2009 Forecast Amt	Variance	Budget Remaining	Current year 2009 Bud. Amt
-	-	-	-	-	-	- Bulk purchases	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Contracted Services	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Grants and subsidies paid	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Cost of housing sold	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Expenses (by function)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Operating profit	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other revenue and costs	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Gain on disposal of assets and liabilities	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Deficit on foreign exchange	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Fair value adjustments	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Gains or losses on biological assets and agricultural produce	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Income from equity accounted investments	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Profit and loss on sale of non-current assets held for sale and net assets of disposal groups	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Taxation	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Discontinued operations	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Net surplus/ (deficit) for the year	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance	Prior Year # 1 2008 Forecast Amt	Variance

Prior Year # 1 2008 Act. Bal.	Prior Year # 1 2008 Bud. Amt	Variance	Current year 2009 Forecast Amt	Variance	Budget Remaining	Current year 2009 Bud. Amt

Vulamehlo Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Land and buildings						
1.1.1300.0105.1Land (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Quarries (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Buildings (Separate for AFS purposes)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference: Infrastructure						
1.1.1300.0101.1Roads, Pavements & Bridges	-	-	-	-	-	
1.1.1300.0101.1Storm water	-	-	-	-	-	
1.1.1300.0102.1Generation	-	-	-	-	-	
1.1.1300.0102.1Transmission & Reticulation	-	-	-	-	-	
1.1.1300.0102.1Street lighting	-	-	-	-	-	
1.1.1300.0103.1Dams & Reservoirs	-	-	-	-	-	
1.1.1300.0103.1Water purification	-	-	-	-	-	
1.1.1300.0103.1Reticulation	-	-	-	-	-	
1.1.1300.0104.1Reticulation	-	-	-	-	-	
1.1.1300.0104.1Sewerage purification	-	-	-	-	-	
1.1.1300.0105.1Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	
1.1.1300.0105.1Waste Management	-	-	-	-	-	
1.1.1300.0105.1Gas	-	-	-	-	-	
1.1.1300.0105.1Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference: Community Assets						
1.1.1300.1400.1Parks & gardens	-	-	-	-	-	
1.1.1300.1400.1Sportsfields and stadium	-	-	-	-	-	
1.1.1300.1400.1Swimming pools	-	-	-	-	-	
1.1.1300.1400.1Community halls	-	-	-	-	-	
1.1.1300.1400.1Libraries	-	-	-	-	-	
1.1.1300.1400.1Recreational facilities	-	-	-	-	-	
1.1.1300.1400.2Clinics	-	-	-	-	-	
1.1.1300.1400.2Museums & art galleries	-	-	-	-	-	
1.1.1300.1400.2Other	-	-	-	-	-	
1.1.1300.1400.2Social rental housing	-	-	-	-	-	
1.1.1300.1400.2Cemeteries	-	-	-	-	-	
1.1.1300.1400.2Fire, safety & emergency	-	-	-	-	-	
1.1.1300.1400.2Security and policing	-	-	-	-	-	
1.1.1300.1400.2Buses	-	-	-	-	-	
	-	-	-	-	-	
Heritage assets						
1.1.1300.2310.2Other	-	-	-	-	-	
1.1.1300.2310.2Buildings	-	-	-	-	-	

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
	-	-	-	-	-	
Specialised vehicles						
1.1.1300.3400.1Refuse	-	-	-	-	-	
1.1.1300.3400.1Fire	-	-	-	-	-	
1.1.1300.3400.1Conservancy	-	-	-	-	-	
1.1.1300.3400.1Ambulances	-	-	-	-	-	
1.1.1300.3400.1Buses	-	-	-	-	-	
	-	-	-	-	-	
Other assets						
1.1.1300.2400.2General vehicles	-	-	-	-	-	
1.1.1300.2400.2Plant & equipment	-	-	-	-	-	
1.1.1300.2400.2Computer Equipment	-	-	-	-	-	
1.1.1300.2400.2Computer Software (part of computer equipment)	-	-	-	-	-	
1.1.1300.2400.2Furniture & Fittings	-	-	-	-	-	
1.1.1300.2400.2Office Equipment	-	-	-	-	-	
1.1.1300.2400.2Office Equipment - Leased	-	-	-	-	-	
1.1.1300.2400.2Abattoirs	-	-	-	-	-	
1.1.1300.2400.2Markets	-	-	-	-	-	
1.1.1300.2400.1Airports	-	-	-	-	-	
1.1.1300.2400.1Security measures	-	-	-	-	-	
1.1.1300.2400.1Civic land and buildings	-	-	-	-	-	
1.1.1300.2400.1Other buildings	-	-	-	-	-	
1.1.1300.2400.1Other land	-	-	-	-	-	
1.1.1300.2400.1Bins and Containers	-	-	-	-	-	
1.1.1300.2400.1Work in progress	-	-	-	-	-	
1.1.1300.2400.1Other	-	-	-	-	-	
1.1.1300.2400.1Other Assets - Leased	-	-	-	-	-	
	-	-	-	-	-	
Agricultural/Biological assets						
1.1.1301.0000.1Agricultural	-	-	-	-	-	
1.1.1302.0000.1Biological assets	-	-	-	-	-	
	-	-	-	-	-	
Intangible assets						
1.1.1303.0000.1Other	-	-	-	-	-	
1.1.1303.0000.1Computers - software & programming	-	-	-	-	-	
	-	-	-	-	-	
Investment properties						
1.1.1304.0000.1Investment property	-	-	-	-	-	
	-	-	-	-	-	
Total						

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

[illegible]

APPENDIX A

VULAMEHLO MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

2009/2010	Balance at 30 June 2009	Additions	Redeemed during the year	Balance at 30 June 2010	Carrying value of asset at 30 June 2010
	R	R	R	R	R
Quantum	207 966.00		39 089.00	168 877.00	143 849.00
Hilux	268 141.00		51 654.00	216 487.00	197 076.00
Yaris	120 178.00		22 589.00	97 589.00	82 979.00
Rav 4	280 339.00		52 693.00	227 646.00	194 701.00
SAP	-	1 426 044.00	258 439.00	1 167 605.00	1 069 533.00
TOTAL EXTERNAL LOANS	876 624.00	1 426 044.00	424 464.00	1 878 204.00	1 688 138.00

2008/2009	Balance at 30 June 2008	Additions	Redeemed during the year	Balance at 30 June 2009	Carrying value of asset at 30 June 2009
	R	R	R	R	R
Quantum	-	224 807.00	16 841.00	207 966.00	188 111.00
Hilux	-	295 421.00	27 280.00	268 141.00	249 713.00
Yaris	-	129 910.00	9 732.00	120 178.00	108 511.00
Rav 4	-	303 040.00	22 701.00	280 339.00	254 610.00
TOTAL EXTERNAL LOANS	-	953 178.00	76 554.00	876 624.00	800 945.00

APPENDIX B

VULAMEHLO MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

2010	COST					ACCUMULATED DEPRECIATION				
	<u>Opening Balance</u>	<u>Additions</u>	<u>WIP</u>	<u>Disposals</u>	<u>Closing Balance</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing Balance</u>	<u>Carrying Value</u>
Buildings	3 155 267.00	335 646.00		(93 078.00)	3 397 835.00	(586 332.00)	(139 846.00)	48 121.00	(678 057.00)	2 719 778.00
Plant and Equipment	2 061 263.00	-		(1 071.00)	2 060 192.00	(634 415.00)	(206 233.00)	964.00	(839 684.00)	1 220 508.00
Furniture and Fittings	880 129.00	207 137.00		(244 717.00)	842 549.00	(409 176.00)	(108 803.00)	153 681.00	(364 298.00)	478 251.00
Motor Vehicles	1 466 452.00	9 412.00		(200 157.00)	1 275 707.00	(611 947.00)	(231 921.00)	200 156.00	(643 712.00)	631 995.00
Office Equipment	1 165 366.00	69 869.00		(280 673.00)	954 562.00	(749 227.00)	(160 180.00)	240 735.00	(668 672.00)	285 890.00
Computer Equipment	639 038.00	684 745.00		(346 701.00)	977 082.00	(390 434.00)	(177 049.00)	325 855.00	(241 628.00)	735 454.00
Community	101 303 253.00	103 510.00	7 340 643.00		108 747 406.00	(23 875 680.00)	(3 202 992.00)		(27 078 672.00)	81 668 734.00
TOTAL	110 670 768.00	1 410 319.00	7 340 643.00	(1 166 397.00)	118 255 333.00	(27 257 211.00)	(4 227 024.00)	969 512.00	(30 514 723.00)	87 740 610.00

2009	COST					ACCUMULATED DEPRECIATION				
	<u>Opening Balance</u>	<u>Additions</u>	<u>WIP</u>	<u>Disposals</u>	<u>Closing Balance</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing Balance</u>	<u>Carrying Value</u>
Buildings	3 155 267.00				3 155 267.00	(458 909.00)	(127 423.00)		(586 332.00)	2 568 935.00
Plant and Equipment	1 633 081.00				2 061 263.00	(428 182.00)	(206 233.00)		(634 415.00)	1 426 848.00
Furniture and Fittings	792 260.00	87 869.00			880 129.00	(314 486.00)	(94 690.00)		(409 176.00)	470 953.00
Motor Vehicles	1 066 835.00	942 288.00		(542 671.00)	1 466 452.00	(757 619.00)	(206 145.00)	351 817.00	(611 947.00)	854 505.00
Office Equipment	944 696.00	220 670.00			1 165 366.00	(553 304.00)	(195 923.00)		(749 227.00)	416 139.00
Computer Equipment	429 371.00	209 667.00			639 038.00	(292 365.00)	(98 069.00)		(390 434.00)	248 604.00
Community	83 191 499.00	12 613 620.00	5 498 134.00		101 303 253.00	(21 163 402.00)	(2 712 278.00)		(23 875 680.00)	77 427 573.00
TOTAL	91 213 009.00	14 074 114.00	5 498 134.00	(542 671.00)	110 670 768.00	(23 968 267.00)	(3 640 761.00)	351 817.00	(27 257 211.00)	83 413 557.00

APPENDIX C

VULAMEHLO MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

	Cost					Accumulated Depreciation				Carrying value
	Opening balance	Additions	Disposals	WIP	Closing balance	Opening balance	Depreciation	Disposals	Closing balance	
	R	R	R		R	R	R	R	R	R
Executive and Council	5 302 699	370 266	(162 927)		5 510 038	(1 475 773)	(505 462)	89 496	(1 891 739)	3 618 299
Finance & Admin	7 142 862	936 543	(995 623)		7 083 782	(1 153 557)	(228 796)	835 993	(546 360)	6 537 422
Technical	98 225 207	103 510	(7 847)	7 340 643	105 661 513	(24 627 881)	(3 492 766)	44 023	(28 076 624)	77 584 889
								-		
Total	110 670 768	1 410 319	(1 166 397)	7 340 643	118 255 333	(27 257 211)	(4 227 024)	969 512	(30 514 723)	87 740 610

APPENDIX D

VULAMEHLO MUNICIPALITY : SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

2010 Actual Revenue R	2010 Actual Expenses R	2010 Surplus/ (Deficit) R		2009 Actual Revenue R	2009 Actual Expenses R	2009 Surplus/ (Deficit) R
0	-5 750 561	-5 750 561	Council and Municipal Manager		-5 229 466	-5 229 466
24 280 509	-26 327 031	-2 046 522	Finance and Administration	23 637 819	-19 308 639	4 329 180
9 979 926	-8 305 577	1 674 349	Technical Services	10 797 000	-8 526 400	2 270 600
34 260 435	-40 383 169	-6 122 734	TOTAL	34 434 819	-33 064 505	1 370 314

APPENDIX E(1)

VULAMEHLO MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2009/10								
	Budget (R)	Budget Adjustment (R)	Virement (R)	Final Budget (R)	Actual (R)	Unauthorised Expenditure (R)	Variance	Actual Outcome as a % of Final Budget (R)	Actual Outcome as a % of Original Budget (R)
Financial Performance									
Property Rates	555 231.00	-	-	555 231	802 511.00	-	247 280	45%	45%
Rental Income	300 000.00	-	-	300 000	143 032.00	-	(156 968)	-52%	-52%
Other Income	25 000.00	-	-	25 000	97 981.00	-	72 981	292%	292%
Grants and Subsidies	33 903 768.00	-	-	33 903 768	32 299 156.00	-	(1 604 612)	-5%	-5%
Interest on Investments	300 000.00	-	-	300 000	917 665.00	-	617 665	206%	206%
Vat Refund	5 801 380.00	-	-	5 801 380	-	-	(5 801 380)	-100%	-100%
Total Revenue excluding capital transfers and contributions	40 885 379.00			40 885 379	34 260 345.00	-	(6 625 034)		
Employee Costs	(8 730 478.45)	1 000 000.00		(7 730 478)	(7 609 218.00)	-	(121 260)	2%	1%
Remuneration of Councillors	(4 249 821.00)	(1 000 000.00)		(5 249 821)	(5 658 732.00)	-	408 911	-8%	-10%
Depreciation	-	-	-	-	(4 732 511.00)	-	4 732 511	-100%	100%
Repairs and Maintenance	-	-	-	-	(655 111.00)	-	655 111	-100%	100%
Provision for Bad Debts	-	-	-	-	(277 597.00)	-			
Grant Expenditure	(25 023 678.00)			(25 023 678)	(15 331 625.00)	-	(9 692 053)	39%	39%
Finance charges	(75 000.00)			(75 000)	(324 644.00)	-	249 644		
General Expenditure	(5 826 401.55)			(5 826 402)	(5 596 749.00)	-	(229 653)	4%	4%
Loss on disposal of assets	-	-	-	-	(196 892.00)	-	196 892	-100%	100%
Total Expenditure	(43 905 379.00)	-	-	(43 905 379)	(40 383 079.00)	-	(3 996 789)		
Net Surplus/(Deficit) for the year	(3 020 000.00)	-	-	(3 020 000)	(6 122 734.00)	-	(3 102 734)	103%	103%
Transfers recognised - capital									
Contributions recognised - capital and contributed assets									
Surplus/(Deficit) after capital transfers and contributions	-	-	-	-	-	-			
Capital Expenditure and funds sources									
Transfers recognised - capital	48 254 281.00	5 932 288.00	-	54 186 569.00	9 098 563.00	-	(45 088 006.00)	-83%	-93%
Public contributions and donations						-			
Borrowing	2 170 742.00	-	-	2 170 742.00	1 426 044.00	-	(744 698.00)	-34%	-34%
Internally generated funds									
Total sources of capital funds	50 425 023.00	5 932 288.00	-	56 357 311.00	10 524 607.00		(45 832 704.00)		
Cashflows									
Net cash from (used) from operating activities	-			-	5 004 517.00		(5 004 517.00)	100%	-100%
Net cash from (used) from investing activities	-			-	(6 440 212.00)		6 440 212.00	-100%	100%
Net cash from (used) from financing activities	-			-	734 867.00		(734 867.00)	100%	-100%
Cash/cash equivalents at year end	-				(700 828.00)		700 828.00		

APPENDIX E(2)

VULAMEHLO MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010	2010	2010	2010	
	Actual	Total Additions	Budget	Variance	%
		R	R	R	
Executive Council	34 620	370 266	0	370 266	100%
Finance & Admin	2 808 553	2 710 188	38 021 742	-35 311 555	-93%
Technical Services	13 477 217	7 444 153	18 335 569	-10 891 416	-59%
Total	16 320 390	10 524 607	56 357 311	-45 832 704	-81%

No	Finding	Corrective action	Completion date	Responsible general manager or manager
MATTERS AFFECTING THE AUDIT REPORT				
1.	Irregular expenditure As disclosed in note 30 to the financial statements, irregular expenditure to the amount of R10.039 million was incurred, as proper tender processes had not been followed.	This matter relates to outdated and no tax clearance certificates available on hand for service providers. We are currently dealing with this matter and have advised all service providers to provide us with their updated Tax clearance certificates. We have advertised in the local newspapers for service providers to update their records at the Municipality.	Ongoing – 30 June 2011	Chief Financial Officer
No	Finding	Corrective action	Completion date	Responsible general manager or manager
OTHER MATTERS				
5.	Other matters None			

No	Finding	Corrective action	Completion date	Responsible general manager or manager
OTHER REPORTING RESPONSIBILITIES				
5.	<p>Did not adopt IDP on time</p> <p>The Vulamehlo Municipality did not adopt before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan, as required by regulation 8 of Local Government Municipal Planning and Performance Management Regulations.</p>	<p>This matter has been addressed and the Municipality will meet the deadline in the current financial year.</p>	<p>June 2011</p>	<p>Manager Development Planning and LED</p>
	<p>No comparisons in Performance Reports</p> <p>The Vulamehlo Municipality's performance report did not reflect the comparison of targets and performance in the previous financial year, as required by section 46(1)(b) of Municipal Systems Act.</p>	<p>The Municipality will incorporate the previous years performance report in the current financial years performance report.</p>	<p>August 2011</p>	<p>Manager Development Planning and LED</p>
	<p>SDBIP not approved by Mayor</p> <p>The Vulamehlo Municipality's mayor did not approve the service delivery and budget implementation plan within 28 days after the approval of the budget, as required by section 53(1)(c)(ii) of the MFMA.</p>	<p>The finding is noted and measures have been put in place to correct the shortcoming.</p>		

No explanation of variances

Adequate explanations for major variances between the planned and the actual reported targets for the objectives were not reported as required in terms of the relevant reporting guidance. In total 100% of the reported targets with major variances had no explanations for those variances.

This has been done, the new PMS framework provides for actual achievement and reasons for deviation

No reporting of comparisons on performance against targets

Municipality has not reported throughout on its performance against pre-determined objectives and targets which is consistent with the approved integrated development plan.

There is now a shared service PMS specialist to assist the Municipality and a plan is in place to ensure deadlines are met.

No oversight by Accounting Officer

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Oversight is being exercised by Accounting Officer.

Annual financial statements not reviewed

The financial statements and other information to be included in the annual report were not reviewed for completeness and accuracy prior to submission for audit purposes.

This will be done in the current Financial year.

30
September
2011

Disciplinary Hearings

Two municipal staff members have been charged with dishonesty and misconduct, as they failed to hand over monies to the amount of R2 938 and R7 550 for banking purposes. Both employees have subsequently been suspended, and the municipality has initiated disciplinary hearings against them.

The two staff members were found guilty and were dismissed. They have now lodged an appeal.

5

Chapter Five

SERVICE DELIVERY

Service delivery reports

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5

Chapter Five

SERVICE DELIVERY

Service delivery reports

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MUNICIPAL MANAGER

Overall control of the Municipal Administration

1. Customers

KPA 1. Basic Service Delivery Weight = 20 %

Key Objectives	Weight	Key Performance Indicator (KPI)	Target	Target Date	Means of Verification (MOV)	Performance Status on Date of Review		Reason for Deviation	Score
	%					QTR 2	QTR 4		

KPA 1. Basic Service Delivery Weight = 20 %

1. Meet service needs and address backlogs	7	% overall reduction in community service backlogs	5 %	30 June 2010	Quarterly reports				5
	4	No of household with access to free basic water and electricity	9 244	30 June 2010	District records				3
	4	No of households earning less than R1100 pm with access to free basic services (water/electricity)	14 467	30 June 2010	Indigent records				3
	2.5	policy for the management of community facilities developed	To be developed	30 June 2010	Policy / records	Not Developed			0
	2.5	Infrastructure investment plan development	To be developed	30 June 2010	Reviewed plan			The plan has been developed and is in place, however it wasn't for this financial year and wasn't reviewed this FY	1

KPA 2. Good Governance and Public Participation Weight = 20 %

2. Promotion of good governance and accessibility	3.33	A yearly quality of life (QLS) survey to determine % citizen satisfaction with regard to: - Participatory Decision making - Customer care - Communication	100 %	30 June 2010	Minutes and newspapers QLS survey and website	Developed by the Public Participation unit			3.33
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		And information			Minutes / memo to speaker	
	3.33	Governance Committees formed	5	30 June 2010	Minutes / resolutions	3.33
	3.33	IDP reviewed	100 %	30 June 2010	IDP Document	3.33
	3.33	PMS reviewed	100 %	30 June 2010	PMS Document	3.33
3. Community Safety	3.33	Health Sector plan developed	100 %	30 June 2010	Plan	0
	3.33	Disaster management plan developed	100 %	30 June 2010	Plan The plan has been developed	1

2.Economic Empowerment

KPA 3. Local Economic Development Weight = 20 %

4. Support and grow new and existing businesses	10	Total number of jobs created	200	30 June 2010	Records of employment	137	The target to be redrafted to talk to the contract / SLAs signed with contractors	8
	2.5	Total no. of jobs sustained	20	30 June 2010	SCM records		This KPI cannot be measured needs to be redrafted in the next financial year.	
	4	% increase in gross value added tax	2 %	30 June 2010	SCM records	Done		4
	1	Agriculture Sector plan development	100 %	30 June 2010	Plan		The plan was developed in 2007 (nothing has been done for this financial year as there is no funding)	0
	2.5	Tourism Plan Development	100 %	30 June 2010	Plan	In progress	The service	1.5

							provider requested extension for submission due to delays caused by strike which led to the unavailability of the	

3.Productivity Value for Money

KPA 4 Municipal Financial Viability and Management Weight = 20 %

5. Budget strategically and sustainably	2	% Spend on Capital budget	More than 90 %	30 June 2010	Report and budget limits	Done		1.5
	1	% Operational cost reduction yearly	5 %	30 June 2010	Financial records	Done		1
	2	% Growth in total income	6 %	30 June 2010	Annual financial statements			2
	5	Salaries and wages as a % of operating budget	Less than 35 %	30 June 2010	Financial records			2
	2	Valuation roll in compliance with MPRA	100 % compliance	30 June 2010	Records			2
	2	Cost coverage ratio (no. of times)	12 times	30 June 2010	Budget reports and AFS			2
	3	Debt coverage ratio (no. of times)	12 times	30 June 2010	Budget reports and AFS			3
	3	Attendance of queries from AG	100 %	30 June 2010	AG's report			3

4.Employee Satisfaction

KPA 5 Municipal Institutional Development and Transformation Weight = 20 %

Healthy and productive employees	5	Drive the development and implementation of organisational culture strategy for the Municipality	Approved Plan	30 June 2010	Strategy document	The strategy document has not been developed	No funding	0
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	2.5	Drive the development and implementation of organisational structure and institutional plan	Approved organogram	30 June 2010	Orgarnogram		2.5
	2.5	Drive the development and implementation of Safety, Wellness, HIV and AIDS strategies	Draft Plan	30 June 2010	Draft strategy document	Done	2.5
	5	WSP development and implemented	100 %	30 June 2010	Records of WSP HR records		5
	5	No. of people from employment equity target groups employed in 3 highest levels of management in terms of approved EE plan	Top positions filled by targeted groups: 6 women 1 Indian	30 June 2010	EE Stats		5

TOTAL WEIGHT = 100 %

MANAGER: TECHNICAL SERVICES

Position Purpose For: Technical Services Manager Plan, organise, lead and control the technical services component of the Municipality

1. Customers

KPA 1. Basic Service Delivery Weight = 40 %

Key Object	Weigh %	Key Performance Indicator (KPI)	Target	Target Date	Means of V Performance Status on Reason for deviation		Score
					QTR 2	QTR 4	
1. Meet service and address backlogs		% reduction of backlogs of access to community needs					
	3	Electricity backlogs	6 % reduction	30 June 2010	Quarterly reports		1 (2)
	3	Water backlogs	6 % reduction	30 June 2010	Quarterly reports		2
	4	Sanitation backlogs	6 % reduction	30 June 2010	Quarterly reports		2
	10	Housing backlogs	6 % reduction (of	30 June 2010	Quarterly reports		10
	10	No. of roads maintained	600 KMS	30 June 2010	Departmental records		5(7)
	10	No. of Projects of Community facilities approved and implemented	3	30 June 2010	Projects Records	There are projects that have been not completed to date and they are long overdue (letter of consent received from MIG)	10 (5)

KPA 2. Local Economic Development Weight = 20 %

2. Support and grow new existing business	20	No. of Jobs created through the use of local contractors. The KPI is not SMART The wording need to change.	90	30 June 2010	SCM records		20
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KPA 3. Good Governance and Public Participation Weight = 10 %

3. Ensure accessibility to promote	10	Projects plans and target dates for all projects in place and available for all technical projects in the IDP.	3 Projects	30 June 2010	Projects Schedules		10
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Promote good governance							
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KPA 4. Municipal Financial Viability and Management Weight 10 %

4. Budget Strategy and Sustainability	5	Timeous preparation and submission of budget within the required deadlines and formats in alignment with IDP.	100% compliance	30 June 2010	Financial records		5
	5	Monthly submission of expenditure certificate to ensure that non budgeted for expenditure is prevented.	12 certificates per - 3 per quarter	30 June 2010	Schedule of financial certificates in financial records	The letter received from MIG was due to non submission of certificates	5 (4)

KPA 5. Municipal Institutional Development and Transformation Weight = 20 % (Corporate)

5. Healthy and Productive employee Does not talk to objectives	6.67	Occ. Health and Safety legislation in place and adhered to.	100% compliance	30 June 2010	Records		3 (
	6.67	EEA compliance i.t.o. employment of targeted groups	100% compliance	30 June 2010	EE records & stats		
	6.67	No. of employees trained in dept as per current WSP.	4 employees	30 June 2010	Reports from HR		

TOTAL WEIGHT = 100 %

MANAGER : CORPORATE SERVICES

Plan, organise, lead and control the Corporate Services Component of the Municipality

1. Customers

Key Object	Weight %	Key Performance Indicator (KPI)	Target	Target Date	Means of V	Performance	Status on Reason for Deviation	
						QTR 2	QTR 4	

KPA 1. Basic Service Delivery Weight = 25 %

1. Provision of safe, healthy and secure environment	10	A security strategy for municipality formulated	100 % reviewed by May 2010	30 June 2010	Security Strat plan doc.	In progress of appointing a service provider	(No Funding) Means to source funding?	0
	10	Health Sector Plan Implemented and monitored	100%	30 June 2010	Health Sector Plan		(No Funding)	0
	5	No. of Health awareness Campaigns	2	30 June 2010	Records of Campaigns.		Drugs & Substance abuse awerness	3

KPA 2. Local Economic Development Weight = 5%

2. Support and grow new existing businesses							Youth in business trained on handling business	5
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KPA 3. Good Governance and Public Participation Weight = 40 %

3. Ensure	5	No. of Ward Committees formed	10	30 June 2010	Reports/ minutes	100 (10 per ward)		5
4 Create an efficient, effective and accountable	5	No. of meetings with political structures to disseminate information	6 Exco meeting (the objectives to be in line with standing rules)	30 June 2010	Minutes	6 EXCO 4 HR 8FBM _LED		5

administration	5	Municipality road shows to improve communication	4 (to be the same as SBIP)	30 June 2010	Records of Izimbizo	4		5
	5	GIS developed / updated	100%	30 June 2010	Records		0 (to be moved to Planning)	
	5	Notice boards put to all nodal points	2	30 June 2010	Records			1(0)
	5	No. of Agendas distributed in time. Not later than 48hrs before meeting	100%	30 June 2010	Reports & Agendas and Minutes			5
	5	Administration Plan Developed	100%	30 June 2010	Copy of Plan		What is an administration plan? Should be taken out	1(0)
	5	Policies & controls in place for the control of auxiliary service	Review existing policies	30 June 2010	Policy Documents		KPMG undertaking a review	3

2. Productivity Value for Money

KPA 4. Municipal financial Viability and Management Weight = 10 %

5. Budget Strategy and Sustainability	3.33	Timeous preparation and submission of budget within the required deadline and formats in the alignment with the Municipal IDP	100% compliance	30 June 2010	Annual reports	Done timeously		3.33
	3.33	Achieve operational cost reduction by putting admin controls in place to control resource and assets usage	100%	30 June 2010	Reports		Reduced	3.33
	3.33	Monthly submission of expenditure certificate to enable that non budgeted for expenditure is prevented	100 % compliance	30 June 2010	Schedule of monthly expenditure certificate		Doesn't make sense to be taken out	

3. Employee Satisfaction

KPA 5. Municipal Institutional Development and Transformation Weight = 20 %

7. Healthy & productive employees	3	No. of programs to reduce HIV/AIDS in the workplace	1	30 June 2010	Reports	1		3
	5	HR Policies in place and reviewed	Reviewed policies	30 June 2010	Schedule of Policies	KPMG Reviewing		3
	2	Organisational structure and Institutional	100%	30 June 2010	Approved organisation structure	Approved in May		2
		Number of Teambuilding activities	1	30 June 2010	Records			
	5	Equity plan in place	100%	30 June 2010	EE Plan & EE Stats	Yes		5
	5	WSP in place and implemented	10 to be trained	30 June 2010	Records from Skills Development	Submitted and trained 15		5

TOTAL WEIGHT = 100 %

CHIEF FINANCE OFFICER

Plan, organise, lead and control the Financial Services Component of the Municipality

1. Customers								
Key Object	Weight %	Key Performance Indicator (KPI)	Target	Target Date	Means of V	Performance Status	Reason for Deviation	Score
						QTR 2	QTR 4	
KPA 1. Basic Service Delivery Weight = 10 %								
1. Ensure availability of financial support for basic service delivery initiatives	10	Financial Advice & support on basic delivery initiatives	Quarterly comments on spending trends of various depts. to curb over expenditure on capital projects	30 June 2010	Quarterly reports		MIG Funding, a letter of concern on expenditure was received.	9(8)
KPA 2. Local Economic Development Weight = 10 %								
2. Support & grow existing business	10	SCM policies in place and reviewed	100% compliance	30 June 2010	Records of policies		The objective was not completely met	10(9)
KPA 3. Municipal Financial Viability and Management Weight = 40 %								
3. Manage Municipality Financial affairs	5	Municipality's medium term Income and Expenditure framework updated	1	30 June 2010	Financial records			5
Budgeting strategically and sustainability	5	IDP priorities budgeted for	100%	30 June 2010	Financial records			5
	2	of budget for WSP programs	100%	30 June 2010	Financial records			2

4.	5	Valuation roll in line with MPRA	100%	30 June 2010	Financial records			5
	3	Property rates assessments done	100%	30 June 2010	Financial records			3
	5	Tariff Policy developed	100%	30 June 2010	Financial records			5
	5	Salaries & Wages as a % of operating budget	Less than 35%	30 June 2010	Financial records		-35%	5
	5	% growth in total income	6%	30 June 2010	Financial records			
	3	Cost coverage ratio Debt coverage ratio	12 times 12 times	30 June 2010 30 June 2010	Financial records			3 3

KPA 4. Good Governance and public Participation Weight = 30 %

4. Create an efficient, effective and accountable administration	5	No. of internal Audits of services undertaken	1 p.a.	30 June 2010	Audit records			5
	5	Revenue plan and billing system developed	100%	30 June 2010	Financial records		(No plan in place)	5(3)
	5	Financial Statements prepared timeously	100%	30 August 2010	Financial records			5
	3	Financial plan development	100%	30 June 2010	Approved plan		Deloped previous Financial years	3
	2	Asset Management Plan developed	100%	30 June 2010	Approved plan			1
	5	Investment Management Policy Developed	100%	30 June 2010	Approved plan			5
	5	Unqualified report from Auditor General	60 % unqualified	30 June 2010	AG's report		60% not clear	5

KPA 5. Municipal Institutional Development and Transformation Weight = 10 %

	10	EE targets met in dept.	5 Women 2 Males	30 June 2010	EE Stats		To be taken to Corporate	10
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TOTAL WEIGHT = 100 %

6

Chapter Six

OVERSIGHT REPORT

Oversight Report




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Oversight Report in respect of the 2009/2010 Annual Report for the Vulamehlo Municipality

Date: 29 March 2011

1. Purpose

To propose that Council adopts the Oversight Report in respect of the 2009/2010 Annual Report. The purpose of an Annual Report is:

-  To provide a record of the activities of the Municipality
-  To provide a report on performance in service delivery and budget implementation; and
-  To promote accountability to the local community.

2. Background and Rationale

2.1 Oversight Process

MFMA Circular Number 32, issued by National Treasury on 15 March 2006, provides guidelines on the preparation of an oversight report in respect of a municipality's annual report and those of its entities. The processes recommended in the said circular include the following:

The establishment of an Oversight Committee under sections 33 and 79 of the Municipal Structures Act, 1998. The said committee should conduct a detailed analysis and review of the annual report and draft an oversight report to be considered by Council. The Committee should also receive and review representations made by the public and also seek input from other Councillors and Council Portfolio Committees. Upon finalisation, this draft Oversight Report could then be taken to Full Council for discussion.

The Oversight Committee should only comprise non-executive councillors and community representatives. Municipal officials cannot be members of the Oversight Committee as this would pose a conflict of interests. Assistance from the municipality's Audit Committee is also recommended as a major source of independent specialist advice.

The Council established the Oversight Committee comprising of 2 non-executive councillors and a community representatives, with the Chairperson of the Audit Committee and the Chief Financial Officer as invitees. The Committee's term of office is three years and is composed as follows in terms of the National Treasury guidelines:

Mr V Mzulwini	Chairperson & Community Representative
Cllr MA Ntombela	
Cllr MD Ncwane	

The committee's role is to conduct a detailed analysis and review of the 2008/2009 Annual Report and draft an Oversight Report for submission to Council by 31 March 2010.

The Oversight Committee sat on 29 March 2011 and the minutes of the meetings are attached hereto as Annexures A.

2.2 Consultation Process

A public notice on the availability of the Draft 2009/2010 Annual Report was placed in local media. The community was invited to submit representations on the report.

Copies of the Draft Annual Report were placed for review at the Vulamehlo Municipality Offices.

2.3 Comments




No comments were received from the public.

The Annual Report was reviewed and is NOTED by the Committee.

3. Strategic Implications

The adoption of the Oversight Report is in line with the KPAs – Good Governance and Public Participation, and Infrastructure and Services Delivery.

4. Legal/Statutory Implications

-  Municipal Finance Management Act, 2003 (Act 56 of 2003) (Chapter 12).
-  Municipal Systems Act, 2000 (Act 32 of 2000) (Chapter 6), as read with the Municipal Systems Amendment Act, 2003 (Act 44 of 2003).
-  Municipal Structures Act, 1998 (Act 117 of 1998).

5. Staff/Personnel Implications

None.

6. Financial Implications

The Annual Report and the oversight process are provided for in the 2009/2010 budget.

7. Communication Implications/Public Relations

Invitations for nomination of community representatives to serve on the Oversight Committee were placed in the local press.

A public notice inviting representations from the community was placed in the local media.



Meetings of the Oversight Committee were advertised in the local press.

8. Other Parties Consulted

-  The Auditor-General.
-  The Vulamehlo Municipality Audit Committee

9. Recommendations

That Council resolves as follows:

-  That the Council having fully considered the Annual Report of the municipality and representations therein, adopts the Oversight Report; and
-  That Council approves the Annual Report without reservations.

Chairperson